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## **CREATING BUSINESS MODEL FOR CASE COMPANY**

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Opinnäytetyö on tehty case yrityksen toimeksiannon pohjalta. Opinnäytetyön case yritys on vuosi sitten perustettu teknologiayritys Oulusta. Työn tavoitteena oli luoda case yrityksen käyttöön Business Model Canvas, jonka avulla yrityksen nykytilaa pystytään analysoimaan ja Value Proposition Canvas auttamaan yritystä kehittämään tuotetta, joka vastaa asiakkaiden tarpeisiin. Työn aihe oli hyödyllinen sekä tekijälle, että myös yritykselle. Työn avulla yritys sai tietoonsa liiketoimintansa vahvuudet ja kehittämisideat, ja opiskelija oppi paljon yrityksen liiketoiminnasta ja liiketoiminnan kehittämisestä todellisessa elämässä.

Tämä opinnäytetyön tutkimustapana oli tapaustutkimus, sillä se tutki liiketoimintamallin luomisprosessia yrityksessä. Työn teoreettinen viitekehys keskittyi tutkimaan kahta kokonaisuutta: Business Model Canvasia sekä Value Proposition Canvasia. Nämä kaksi liiketoiminnan kehittämismallia valittiin niiden ominaisuuksien vuoksi, sillä niiden avulla voidaan kehittää uusia ideoita ja tiivistää koko liiketoimintasuunnitelma selkeästi yhdelle sivulle. Nämä molemmat liiketoimintamallit tukivat hyvin toisiaan ja loivat hyvä pohjan kehittämistutkimuksen toteuttamiselle. Teorian aineistoa kerättiin useista eri lähteistä monipuolisen tiedon hankkimiseksi.

Työn kehittämisvaihe koostui näiden kahden edellä mainitun mallin rakentamisesta case yrityksessä pidettyjen työpajojen avulla. Työpajoissa kerätyn tiedon avulla tekijä pystyi analysoimaan yrityksen nykytilannetta ja antamaan kehittämisideoita tulevaisuutta varten. Työpajojen lisäksi tiedonhankinnassa käytettiin hyväksi ulkopuolisia haastatteluja. Mallien testaaminen ja jatkotoimenpiteiden toteuttaminen rajattiin pois työstä.

Opinnäytetyö saavutti asetetut tavoitteet kiitettävästi. Teoreettinen viitekehys ja käytännön kehittämistyö toimivat hyvin yhdessä. Teoria auttoi kehittämistyön tekemistä huomattavasti, sillä ilman perusteellisen teorian olemassa oloa olisi työpajojen onnistuminen ollut paljon haasteellisempaa.

Opinnäytetyön tärkein tulos oli se, että case yritys sai konkreettisen liiketoimintamallin toiminnalleen ja selkeitä jatkotoimenpidesuosituksia. Opinnäytetyö on suoraan hyödynnettävissä case yrityksen toiminnassa, ja lisäksi hyödyllinen muille yrityksille. Tämä opinnäytetyö tarjoaa myös erinomaisen mahdollisuuden jatkotutkimukseen, sillä olisi varsin hyödyllistä tutkia kuinka luodut mallit ja ehdotetut jatkotoimenpiteet ovat toimineet case yrityksessä ja millaisia tuloksia niiden avulla on saatu.

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Asiasanat: liiketoiminnan analysointi, liiketoiminnan kehittäminen, Business Model Canvas-malli, Value Proposition Canvas-malli.

## ABSTRACT

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The thesis is done for the case company. The case company of this thesis is a year-old technology company based in Oulu. The thesis aimed to create a Business Model Canvas for the case company, which enabled to analyse the company's present state and Value Proposition Canvas to help the company develop a product that would meet the needs of its customers. The subject of the thesis was useful for both the author and the company. Through this work, the company learned about their strengths and got development ideas for the future. Student learned a lot about running a company and the business development process in real life.

This thesis was a case study because it explored the business process creation process in a case company. The theoretical framework of the thesis focused on two areas: Business Model Canvas and Value Proposition Canvas. These two business development models were chosen because of their features, as they provide new ideas and organise the entire business plan to fit into one page. Both of these models supported each other well and created a reasonable basis for implementing development research. The theoretical material was collected from several sources to obtain versatile knowledge.

The development phase of the work consisted of the construction of the two above mentioned models through workshops held in the case company. The information collected through the workshops enabled the author to analyse the current situation of the company and to provide development ideas for the future. In addition to the workshops, external interviews were also used for information gathering. The testing of the models and the follow-up of the measures were excluded from the work.

The thesis accomplished its goals excellently. The theoretical framework and practical development worked well together. Theory helped development work a lot, and without the in-depth theory, the success of the workshops would be much more challenging.

The most important result of the thesis was that the case company got a concrete business model for its operations and clear follow-up recommendations. The thesis is directly utilised in case business, but it is also useful for other companies. This thesis also offers an excellent opportunity for further research, as it would be beneficial to examine how the designs and proposed actions have worked in the case company and what results they have achieved.

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Keywords: Business Analysis, Business Development, Business Model Canvas, Value Proposition Canvas Model.



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# 1 INTRODUCTION

“By failing to prepare, you are preparing to fail” Benjamin Franklin. Every company needs a plan to succeed like every athlete or mountain climber. Maybe an athlete or mountain climber has a more concrete target to achieve, but they also have a specific and long plan how they will reach their goals. Companies today face many challenges in demanding markets. Pressure is high to create new and innovative products to fulfil customer needs. Companies who can understand the customer needs can transform them into products. (Ward 1998, 7.)

There is a myth that only start-ups need planning, but it is not true. It's true that planning could be impossible in some cases when you are doing something new for the first time and detailed planning would be a too big operation for the small team. Plans can be called a strategic, annual or operational plan but the name doesn't matter. Managing the plans matter. Plans will help pull into focus what your business does and how it will continue to do it successfully into the future. These are common in larger organisations but are rarer in small and medium-size businesses. (Berry 2006, Search date 1.8.2018.)

The development task is part of the master's degree, upper-polytechnic studies, business and entrepreneurship. The research is conducted in cooperation with a case company, a year-old technology company in Oulu. The meaning of this thesis was to create a business model for the case company and understand how these particular tools help to analyse a company's current situation.

The topic of the work is useful for both the author and the company; the company finds the strengths and development targets of its business, and the student learns much about the company's business and business development in real life. Utilizing the BMC model helps to think about business, both through the various areas and as a whole. It also creates a plan for the company. The Value Proposition Canvas helps the company to design products which will meet the customer's demand. The development task enables the student to experiment with an unknown research method, in development research, to become acquainted with the new approach and to use it in practical work. One of the best lessons what this thesis taught for the student was to implement the theory in real life situation. It is the primary target for learning something new.

In this thesis, the plan and theoretical framework is the Business Model Canvas (BMC) with the Value Proposition Canvas (VPC). These two plans are chosen because of their nature to brainstorm new ideas and organise a whole business plan on one page. These tools were not used by the company earlier. Case company needed some strategies and tools to focus its effort and actions, and these tools responded to the demand.

There are five benefits why to use Business Model Canvas in companies. First one is that It is fast, it doesn't replace a business plan, but it is quick to build up, and you can see all the needed information from it. Second is that it will structure discussions because it has nine different blocks what guide discussions straight to the point. The third benefit is that it makes sense, first it shows what your value proposition is and how you reach and make money from customers. Then what is required to make the things possible? Fourth and most important is that it contains Value Proposition. Value Proposition idea is to think what your company delivers to the customer, which customer problems it helps to solve, and which of your customer needs are satisfied.

Value Proposition Canvas is a particularly useful tool for supplementing and deepening the information obtained from the Business Model Canvas. In addition to this, in the case of the company's current state of affairs, VPC is a particularly useful tool as it helps the company in the product development phase. VPC provides information on what customers want from the product and how the current product meets this need. VPC's idea is to create a fit between the company's business and the customer's needs

Grand plans start with the customer and work backwards. Weak plans begin with the product, hope there is a market for it. The last and fifth benefit is that it's great to develop ideas. Quickly you can innovate many ideas and start to research them to see if they are going to be successful. Unfortunately, case company starts with the product so key question remains of how to go back to the customer needs and work forward utilizing the company assets.

Innovating is crucial in today's business and failing to innovate can mean closing your doors. Gaining more knowledge of your business is beneficial and these previously mentioned tools help you to do it. It helps you to communicate goals to co-workers and helps to convince clients to do business with you. For an organisation to innovate, it has to have a strategy that guides it towards a

common goal. Using the Business Model Canvas, it can unite your company under a clear visualisation of where your organisation sits today and where it can be tomorrow and how it will get there. (Hemmer 2016, Search date 2.8.2017.)

The grounds for this research are in ensuring the creation of a working business model for the case company and in analysing current situation thru the created model. The idea of the study has evolved along the time, and different circumstances have shaped the approach towards this subject. Focus has always been to help case company to organise its plans and to find information about the customers to create a win-win situation for them and the company. The point of view of the research was the practicality of the work, as the study sought to produce new knowledge and practices that would be executed in the company.

To ensure that the created canvases are understood by all stakeholders involved, the information aspect of the process needs to be studied more profoundly. During the thesis process, the critical information is expected to be created and communicated, but the level of information and how it is transferred to the stakeholders is currently unknown. All in all, this thesis is a story of an iterative knowledge collecting journey, where two different business models are created for the selected case company.

## **2 METHODOLOGICAL FRAMEWORK**

This chapter aims to introduce the research presented in this thesis. The beginning of the episode focuses on providing a brief overview of the research area and the background of the case company. Further, the chapter will discuss research objectives, scope and research questions which determine the direction of the research. Finally, the section will describe the theoretical framework as well as research strategy and methods, and thesis structure.

### **2.1 Case company presentation**

Case company in this thesis is an international technology business. The company is founded March 2017 by Hong Kong based stock listed company with one Finnish investor. The business idea of the company is to develop camera modules for the different markets. At this moment they are producing three different camera modules. In this thesis on the value proposition part, I focus only on developing the value proposition for their artificial intelligence camera. Two other products are excluded. Case company's artificial intelligence camera has working name dangerous detector because its AI features can analyze video feed and make assumptions if some people are potentially dangerous and worth of investigating more. For this product, their primary customer segments are customs and law enforcement.

Case company has six full-time employees at present, four in Oulu office, one in Moscow and CEO is in Hong Kong. Growth has been rapid because since in the start of the year 2018 the company only had two employees. Author of this thesis is also working in the case company as a product manager.

### **2.1 Objectives, research questions and scope**

This thesis aimed to develop a Business Model Canvas for the Case company as well as a further developed Value Proposition Canvas. Development work is focusing towards change that gives a better and more efficient way of doing things. Development activities can target a company's current situation or a specific problem (Toikko & Rantanen 2009, 16).

My development work is multifaceted because I first started studying the theory of the BMC model because this theory enabled me to develop a BMC model for the case company. The developed BMC business model was born at a workshop organized with employees of the company. After establishing the developed BMC model, I wanted to get even closer to two areas of business model canvas, namely Value proposition and Customer Segment. To help you get acquainted with the analysis of these two areas, model called Value Proposition Canvas has been developed.

To be able to analyse and develop a case company for this model I had first to examine the model theory and open it in my work more closely. After the theoretical part I organized a workshop where, together with the company's employees, the elements of the model were created. For both of my workshop, I gathered the employees of the company from different areas to get new perspectives. However, I wanted all the participants to work towards a common goal. In the workshops, I was also a big part of it because as a product manager I'm responsible for the product offering.

The target of this thesis was to create a business model for the case company and understand how these particular tools help to analyse a company's current situation. The research findings will, therefore, be essential tools for the company for the future.

The main research questions are:

- How to create business model for the company?
- How to create value proposition for the company?

The following sub-questions are defined to support the central research questions and to help to identify the improvement areas.

- How different business model tools works and how you can use them to create business model?
- How company operates nowadays thru the analysis of the business model canvas?
- Who are the company's customers and how company can create value for them with the value proposition canvas?

The scope of this research is to focus on two different business model tools and by using them to create a business model for the case company. It is typical for the case study that it aims to generate concrete improvement suggestion or model. This thesis also focuses on creating ready models for the case company which will serve them in the future.

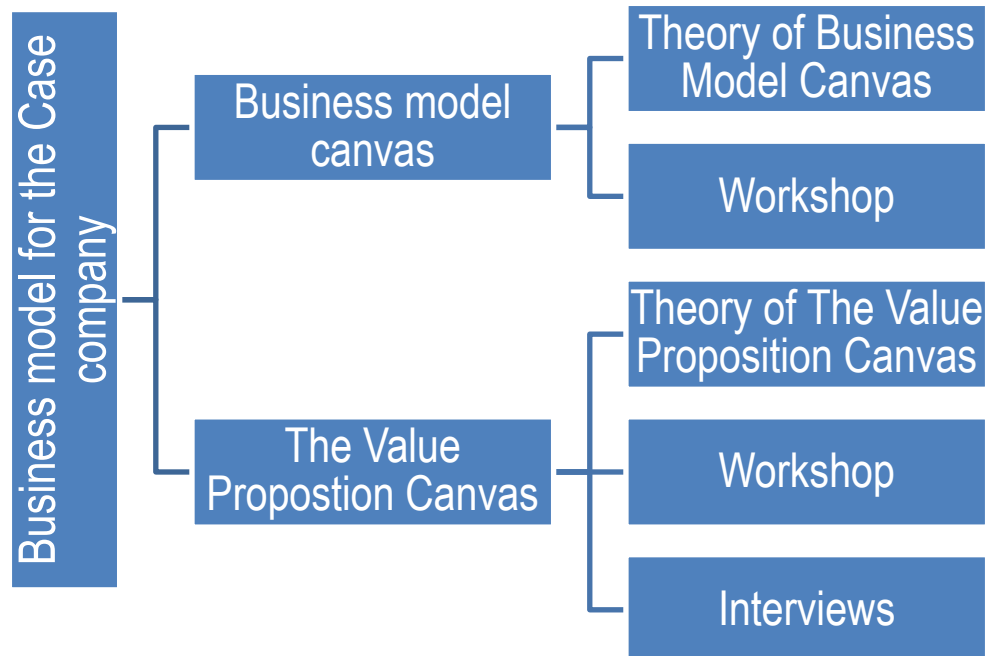


FIGURE 1. The scope of the research

## 2.2 Theoretical background

This thesis has two central concepts. These are theoretically reviewed, and they will support each other. These concepts are a theory of the business model canvas and the value proposition canvas and they are reviewed in chapter three and five. In addition to these two concepts, there is a theory about a few subjects like international trade which will deepen the knowledge of these two concepts.

The first part is about the business model canvas which is created by Osterwalder & Pigneur. This chapter in opens up the whole business model canvas, what it includes and how to use. Business model canvas is a strategic blueprint through organizational structures, systems, and processes. It describes how an organization creates, delivers and captures value (Osterwalder & Pigneur 2010, 14-15). Reason for this chapter is to gain knowledge about this model so it will prepare the researcher and audience to know which kind of model is to be created for the case company.

Second theoretical part is about the Value Proposition Canvas. This chapter goes more deeply to the two pieces of the business model canvas with the theory of the Value Proposition Canvas. These two parts are Value Proposition and the Customer Profile. The Value Proposition Canvas is also a tool which is created by the same authors Osterwalder & Pigneur. Value Proposition Canvas is an extension for the Business Model Canvas. With it, you can project, test and build the business Value Proposition of customers in a more structured and thoughtful way.

The Value Proposition Canvas is essential for the companies and especially in this case where the case company is entirely new, and it doesn't have customers or own value propositions. Information from this chapter will help to create this canvas for the case company, and therefore it is an essential part of this thesis. This chapter also includes more theory about the meaning of the value and value proposition and knowledge about customer profiles.

## **2.3 Research strategy and methods**

Choosing the right research methods are an essential part of the thesis work. Researchers role in research is to be an executing instrument. He needs to understand what type of data will answer the inquiry. (Patton 2002, 13-14.) The purpose of this research is to investigate how a company can create a working business model canvas for themselves. In this research, the investigation is executed by following the process of creating a business model canvas and value proposition canvas. Osterwalder & Pigneur (Osterwalder & Pigneur, 2010) create these canvases in their book Business Model Generation and thousands of companies has used them to create business models. The primary audience of this research is the case company's employees and management.

This research is a typical case study because it studies the process of the creating a business model within a case company. The emphasis of the case study is to gain an understanding of the object through meaningful data gathering from different sources and using different data gathering methods (Koskinen, Alasuutari & Peltonen 2005, 157-158). In this research data has been sourced from the people who work for the case company, from outside interviews in the exhibition and the written materials and documents. The research recognizes the importance of literature as a reliable source in providing relevant theories. The comparison of widely known written arguments among recognized authors helped validate the significance of the information to the research topic. The quantitative research method is considered irrelevant in gathering information the in this case.



Case study as an empirical method of research aims to answer "how" and "why" questions intending to be embracing authentic situations and events comprehensively. This study has three case studies. Research strategies are exploratory, descriptive, or explanatory. The primary forms of analysis are the modelling of the model, based on the material which is compared to the theoretical model, or the theory tested. (Yin 2003, 5.)

Characteristics of the case study are by the fact that a variety of methods can be used to collect data. The material can be obtained in natural situations. Various interviews are often used as a data collection method, as case studies are typically associated with human activity. In addition to meetings, brainstorming is also suitable for case studies (Ojasalo, Moilanen & Ritalahti 2009, 55).

Methods can be either qualitative or quantitative (Swanborn 2010, 21). This research is mainly based on qualitative methods because researched models are not known well. The subject is based on researchers' own experiences and assumptions. Methods which are used in this research were written material analysis, workshops and unstructured interviews.

Written material sources are an essential part of research and should be included in every case. You can gather data from documents, archives, journals, memos of workshops and websites to mention a few. Written material is used for preparing for the actual research (Koskinen et al. 2005, 130-131). In this research, the documents and articles about the Business Model Canvas and The Value Proposition Canvas are collected and analysed to support primary data gathering methods.

Interviews are a method to gather information straight from the people (Kumar & Svensson 2011, 144). In an unstructured interview, researcher gives the interviewee a possibility to lead the conversation to the direction that could provide new information that could not be obtained with any other method (McNeill & Cahpman 2005, 57). This method was used in the exhibition where the interviewee was in the pole position, and I wanted to gain a new kind of information that I otherwise couldn't get.

Workshops as a research methodology aim to produce reliable and valid data about the domain in question regarding forward-oriented processes, such as organizational change and design. The findings feedback into the domain theory, the methodology, and the practices regarding future

agency. That is, using workshops as a research methodology is an especially useful approach in studies that are emerging and unpredictable. (Darsø 2001, 203.)

## **2.4 Thesis structure**

This development task combines research and actual development. Therefore, we can talk about research development (Toikko & Rantanen 2009, 21-22). In my work theory and development research go hand in hand or as a zipper model. This means that before any development research, the theory of it was explained. This phenomenon happened twice in this thesis. The first theory of the business model canvas was explained, and the business model canvas development part followed it. The same thing happened with chapters five and six where the Value Proposition canvas was introduced and created.

The work also reviews the outputs of the workshops or the ready-made business models for the company. Future development ideas are on display, but their processing, implementation, and follow-up have been excluded. Ideas will be on the company's responsibility and it will ensure that there are further research opportunities available.

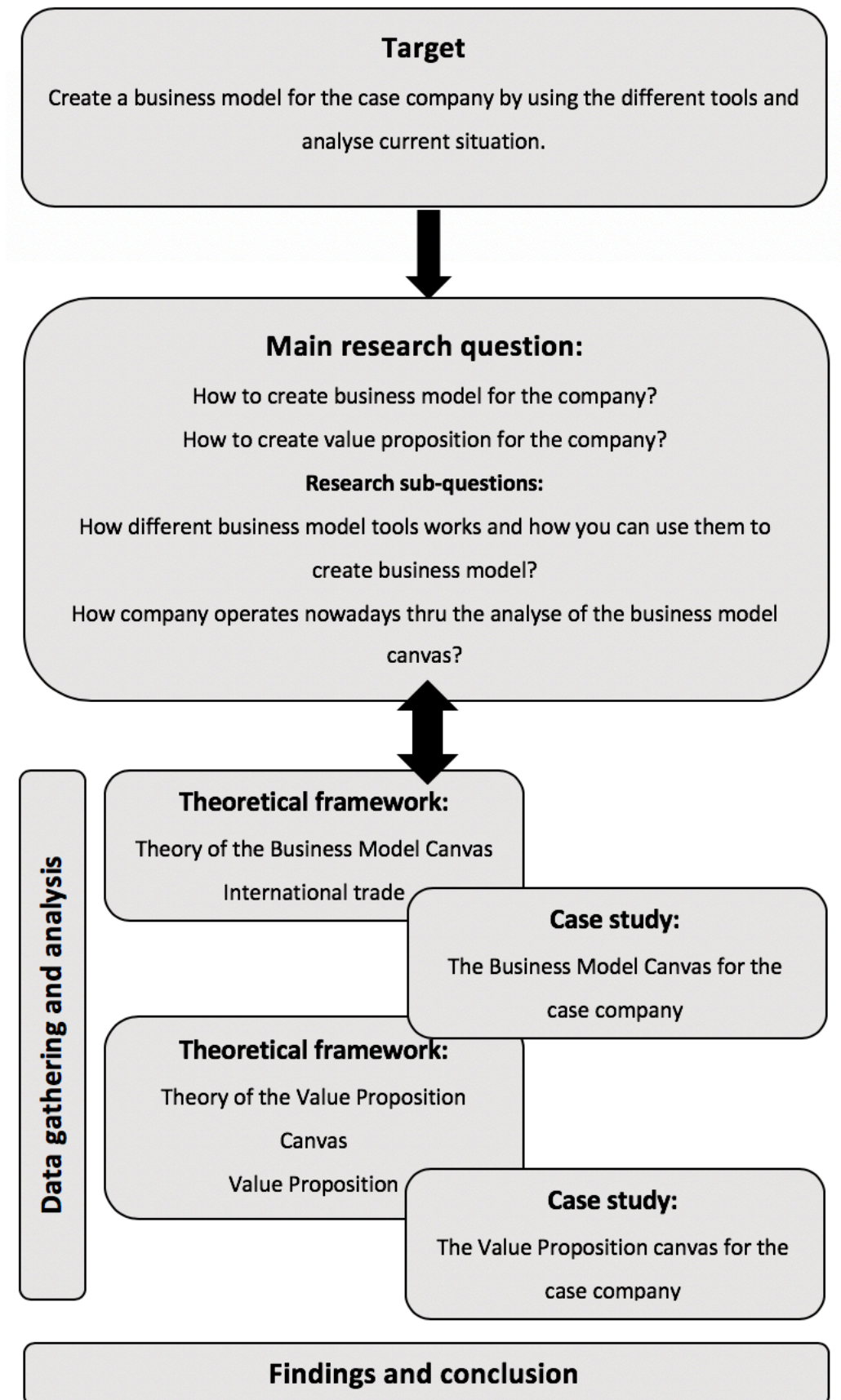


FIGURE 2. Thesis structure

### 3 BUSINESS MODEL CANVAS

In business planning, most often, different visual tools are needed to make it more transparent and better understand all parties. The use of visual thinking will help to understand the complexity and dependence of various factors better, making the Business Model Canvas more concrete. Visual tools make it easier for the Business Model Canvas to create, explore, change, and define with other people (Osterwalder & Pigneur 2010, 148).

Business model canvas describes how an organization creates, delivers and captures value. The BMC must be simple, understandable and relevant and something that facilitates discussion. However, it can't be oversimplified because of the complex nature of how enterprises work.

The Business Model Canvas theory was developed to help companies see their business model as a whole to facilitate tactical thinking. By looking at things together and not as separate parts of a business, Business Model Canvas combines focus and binds other vital aspects around it. It brings out the whole business model in a transparent way.

The Business Model Canvas Model is a business-oriented design that is more customer-oriented, enabling an entrepreneur to innovate, test, and develop new business ideas. Business model canvas includes nine basic blocks which show the logic of how the company intends to make money. These nine blocks are in figure 3

1. Key partners define which resources are acquired outside of the company
2. Key activities are functions what company must accomplish to hold their value propositions
3. Key resources are assets what the company needs to offer and deliver to their customers
4. Value propositions block defines what problems you are solving for the customer and keep them satisfied
5. Customer relationships show established relationships and how they are maintained
6. Channels define how the company delivers value propositions thru communication, distribution, and sales
7. Customer segments show which segments the company will focus
8. Cost structure shows results what elements are bringing

9. Revenue streams are generated by delivering value propositions to customer.  
(Osterwalder & Pigneur 2010, 14-15.)

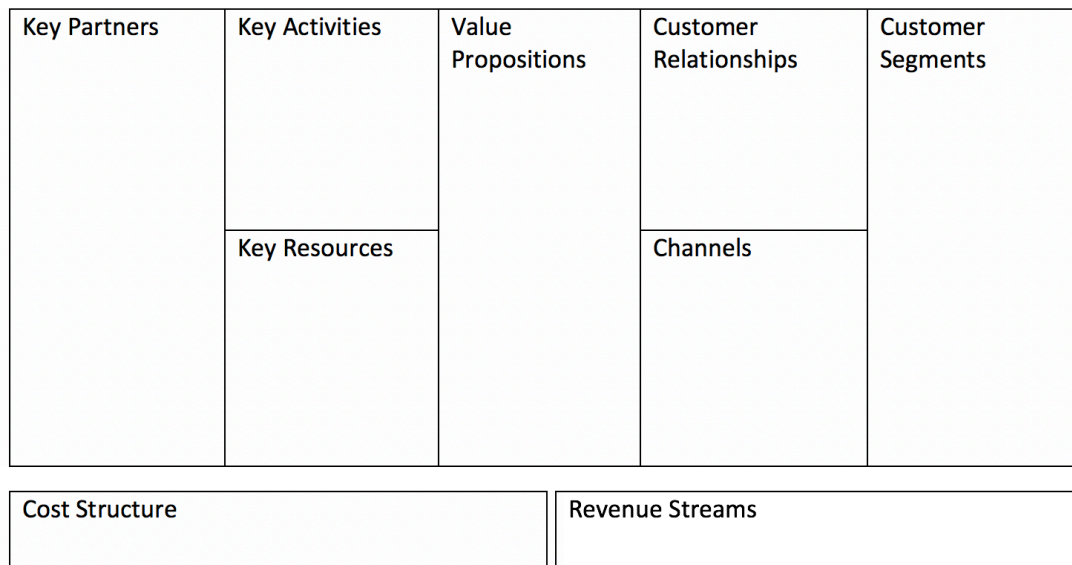


FIGURE 3. Business model canvas adapted (Osterwalder & Pigneur 2010, 18–19)

A background analysis of any business model must be made on a large scale, including the operating environment and its changes, the market situation and competitors; the business model crystallizes the collected information and the chosen strategy into a tight package (Kauppinen & Piispanen 2013, 33).

Business Model Canvas is an excellent tool especially for identifying new business opportunities and analysing existing business. Business Model Canvas, however, is criticized for the fact that it is not ready for a business model because it is incomplete due to lack of background work and analysis (Vliet 2014, 12).

As a concept, the business model is located between the strategy and the business process. Close to the business model include the business idea, business plan, and earnings model. The approach gives direction for which company is going, a more practical business model explains the means and implements the plan. The business model is targeted at one of the products, services or markets, so there are different business models within the company at the same time. In its simplicity, the business model tells the company earning logic, so who will pay to whom, how and under what conditions. The business model also includes business customers, markets, marketing, product development, product/service, and partners. (Hesso 2013, 12, 24–27.) However, the idea of using

the Business Model Canvas alone can be a risk because it will not be enough to consider the competitive situation and competitors (Vliet 2014, 12).

Next, I will go deeper into all of these nine categories and explain them in following chapters. I will start by describing these categories from maybe the most important part which is customer segments.

### **3.1 Customer segments**

Customer segments are based on different groups of organizations which the company aims to reach and serve. Customers are the biggest reason for companies to survive (Osterwalder & Pigneur 2010, 20). This is the reason why customer segments are one of the most important blocks of the business model canvas, and it ensures that the product specifications are matching to customer needs. The primary guideline for building up customer segments is to know your customers. What are their needs and what they want for future? List of potential customers is useful to think beforehand and also categorize these customers by their strength and weaknesses to know who may benefit the company more. (Cleverism 2015, Search date 14.6.2018.)

Example customer segments are:

- Mass market. This type of business model is in use in consumer electronics where customers are one big group with the same needs and problems. When the mass market is in use as a customer segment, the business model doesn't make a difference between layers, value propositions, distribution channels and customer relationships.
- Niche market. An excellent example of this is car part manufacturers who have highly specific needs and unique traits of its clients. This kind of business models often results in the healthy relationship between a supplier and a buyer.
- Segmented market. If a company use a segmented market model, they have a firm understanding of their customers and provide them focused services because they know that different customers have different needs and problems. A good example is a bank called Credit Suisse who segment their customers to a smaller group by their assets. If you have 100 000 us dollars net worth, you are in different customer group than the person who has a net worth over 500 000 us dollars.

- Diversified market. This model services two separate customer segments with different products. These two segments can have entirely different needs and problems. An example can be Amazon who sells physical products thru web pages and nowadays they also provide cloud storage solutions for their customers.
- Multi-sided markets. Companies who practice this model have two or more individual Customer segments. With this model, segments are depending on each other. Like a newspaper company who provide free newspapers to their customers need advertisement to finance production and distribution but also lots of readers to attract companies to advert in their paper. Therefore, they need to serve both customer segments to complete their business model. (Osterwalder & Pigneur 2010, 21.)

### 3.2 Value proposition

The block of Value Proposition in Business model canvas includes all the products and services that create value for Customer Segment. Company's value proposition is the key factor why customers buy from the company. Its primary goal is to solve customer problems and satisfy their needs. Each value propositions should cater the requirements of a specific customer segment. Value propositions can be innovative and provide new features to customers. They also can be the same than the existing market has but with added ideas. (Osterwalder & Pigneur 2010, 22.)

A value proposition is the cornerstone of product marketing. It brings together customer understanding, competitiveness awareness, and product appreciation. It is used to produce a short, feasible line of products and services. It shows how the target customer experiences the value of the product. A value proposition provides an approach to understanding the target customer's product perspective. (Hudadoff 2009, 2, Search date 27.6.2018.)

The Value Proposition is a mix of value elements which can be qualitative or quantitative. Osterwalder & Pigneur has pointed out these following elements which can contribute to value creation;

- *Newness*. It means that a company offers something entirely new for the markets. These are often common in the technology industry.
- *Performance*. Traditionally the way to create value. Value primarily is coming from making a product with more performance like a new computer which has more storage or more powerful processor.

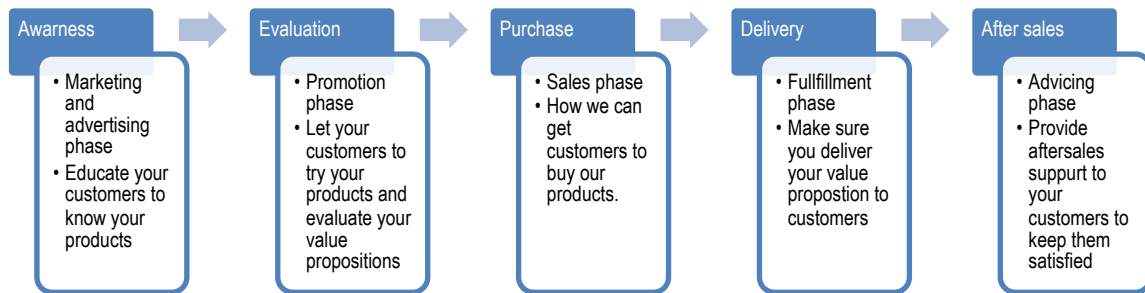
- *Customization*. Tailor-made products or services are one element where to create value for specific customers. In the recent years, mass customization and co-creation have been growing value creator. This approach will take advantage of the economic scale with customized products and services.
- *“Getting the job done”*. Helping your customers to get specific work done can be an also valued proposition.
- *Design*. Difficult element to measure but can be stand out feature. Design can be an essential part of some industries.
- *Brand/Status*. Some customers may find value from the brand by displaying it to others.
- *Price*. Offering the same value than others but with a reduced cost is an excellent way to satisfy price-oriented customers. Low-price orientation will affect all the rest business model implementations.
- *Cost reduction*. Customer value comes from reducing their costs in the current job.
- *Risk reduction*. Reducing the risks when purchasing products and services can be a reasonable value proposition. Used car business usually uses this solution, where you can offer guarantee to customers to ease their purchase decision.
- *Accessibility*. Give access to products and services which were earlier unreachable for some customers.
- *Convenience/Usability*. Make your products more accessible to can create significant value for customers.

### 3.3 Channels

When introducing a new product, it is important to plan what distribution channel is in use. It is common for companies to use different channels to get the best results (Raatikainen 2008, 171 – 172). Channels building block describes how your company provides value and communicates to customers. Sales, marketing, and distribution have their specific role in the channel phases. These are the touch points to customers and make a huge part of customer experience. Channels and Customer relationships building blocks shows how company links with their Customer segment.



There are five phases, and these are explained in figure 4. (Cleverism 2015, Search date 15.6.2018.)



*FIGURE 4. Channel phases*

The company needs a bridge between them and their customers to get these phases to work. These bridges are different channel types. Channel types are a divide in two, own- and partner channels. Own channels are usually a direct link to the customer. Example of right types is your own sales force or website. This way you are directly in contact with your customer and have more significant margins. Partner channels are mostly indirect which means that there is a middleman between you and your customer. These middlemen are wholesalers or partner stores. In the indirect channel, you have lower margins, but you can get your products quicker to the markets, and you need fewer investments to build up infra-structure. (Cleverism 2015, Search date 15.6.2018.) Besides, if a business is directly in touch with customers, it increases marketing costs while using a partner to access their ready-made marketing network (Raatikainen 2008, 171 – 172).

Channels play a part in the company's marketing strategy. Channels are one of the "4 Ps" in marketing, and it explains your placement in the markets (Marketing Mo 2014, Search date 27.6.2018). Later I will go deeper into channels in market entry part because the case company is aiming to break into new markets and they need to think more detailed how to build up working channels.

## Market entry

Case company of my thesis is planning to enter into video surveillance markets with a new product. The company is still in the start-up phase and haven't made sales and claimed role at the markets. Their long-term aim is to sell products globally in the end. In this chapter I will give them guidelines for successful market entry. It is also the following part of the channels building block in the business model canvas.

History shows that for every successful market entry, about four fails. Mainly these are start-up's, but many companies and experienced entrepreneurs fail too. Economists and strategists believe that factors such as timing, scale relative to the competition and ability to leverage assets make market entrants successful. One reason for fails is that most executives rely only on inside view and this habit prevents to look outside and evaluate opportunities in the light of common predictors of success. Few practical steps can help executives to block this problem. They can create a reference class which includes a group of similar decisions that other companies have made in the past. Dramatically raising odd of successfully market entry can happen when companies have a collection of better revaluation of value propositions, own capabilities, market size, competitors, market share and revenue and costs. (Horn, Lovallo, & Viguerie 2005, Search date 24.5.2018.)

When planning to start exporting products company needs to clarify what and when they start shipping, what are resources required and what is the target market. These initials issues have to be resolved before the first raid on global markets. These questions also reflect the company's strategic choices and thru these company can understand the impacts of market entry to strategy. Usually, companies start with neighbour countries. Reason for this is ease of distribution, geographical location and known business practices and values. (Marshall 2003, 16-17).

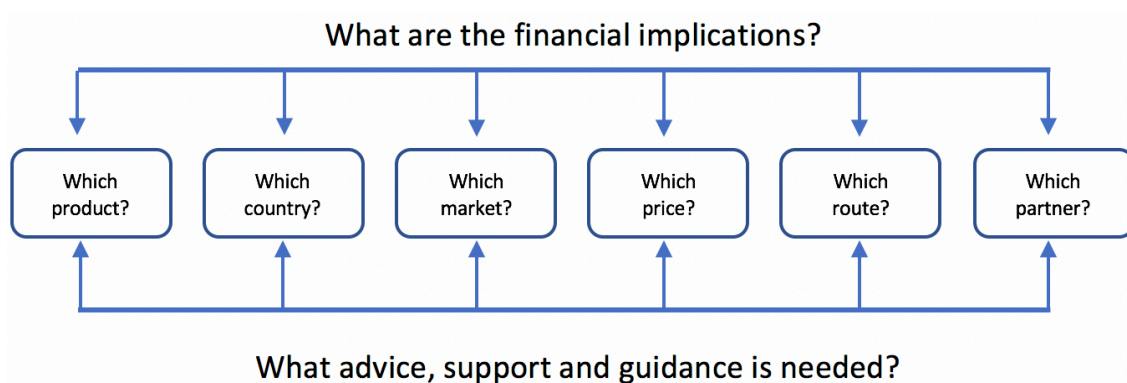


FIGURE 5. Key issues for new exporters.

When a company have planned and answered these earlier questions and decided to go to the chosen markets, they will need a market entry strategy. There are many ways enter into markets, and no one of these following market entry strategies won't work for all international markets. One most appropriate plan is direct exporting, but there will be many different factors that will influence the company's choice. (Tradestart, Search date 25.5.2018.)

Some of these following strategies require significant investments from the company, and they need to be fully committed and convinced that markets will give the stake back in the long term. Every entry strategy offers different pros and cons, cost deductions, risks and some of them are relying more on the individual skills and competency of local moderators to secure business.

According to Marshall guidebook these are the six main entry strategies:

1. Direct sales to end customers or through
2. an agent or broker
3. a local distributer or a dealer
4. having a retailer in the target country
5. establishing local office or use joint venture
6. or using licensing or franchising

(Marshall 2003, 23.)

Direct sales to end user means that company has direct responsibility for selling and distributing of its products to markets. It will require more resources for foreign transactions. Direct sales to customers can also be achieved by using agents, retailers or distributors, who are the company's sales representatives. It is in use amongst smaller or new companies. There is also a way to make sales indirectly which means that a company can use external export trading house or export management company. These companies purchase products from the company and sell them to target country and handle all the needed operations. This solution takes away responsibility and control from the manufacturer. Also, indirect way to sell products is to do co-marketing with a partner where products are part of partners portfolio or as a component in a finished product. (Marshall 2003, 72-73.)

One option is to establish a local company to target market to get better access. It can be a joint venture with a partner or start own subsidiary. The primary function of this company is to be manufacturing- or assembly unit, sales office or distribution centre. Usually, this option viable if existing distribution can't handle all the demand for the product. Manufacturing in the markets can also reduce shipping costs and potentially labour- and material costs. (Marshall, 2003, 77-78.) Even if a company establish a new company in the target market, they should look into partnering. It is almost required to do business in some parts of the world like in Asia. There are many kinds of forms of partnering from alliances to marketing. Partnering is beneficial in those markets where the culture is different (Tradestart, Search date 25.5.2018).

The joint venture is based on a partnership between two companies to co-operate. They also agree to share profits and risks equally (Tradestart, Search date 25.5.2018). It can be the result of governments restrictions, but many do it to benefit from partners local knowledge and contacts. On the other way, overseas partner benefits from the exporter's skills, products, and technologies. This kind of joint venture will have combined talents from each company in the development, manufacturing, promotion, and distribution. Another side of the joint venture is that they are not easy options because it will require lots of scouting and negotiation to find the right partner. Agreements are complicated because there has to be covering every aspect of partnership detail from budgets to health and safety concerns. Also, joint ventures can be costly. (Marshall 2003, 77-78.)

If the company don't want to do a joint venture or start a new company, they can buy a company. It can also be the only option if government regulations or the current country that requires. Also, if a local company is a direct competitor or have a substantial market share, buying can be the only option, and it will be a most costly option. However, this option will give them local market know-how, active customer base and government treat them like a local business. (Tradestart, Search date 25.5.2018.)

### **3.4 Customer relationships**

Definition of the customer relationship is "How your company communicates and deals with existing customers." It's tempting to focus on making new sales, but the essential part of the business is to keep attention to your existing customers by following up their feelings after sales. Active follow-up starts right after the deal is done. (Entrepreneur Europa, Search date 4.6.2018.)

In the business model canvas, The Customer Relationships is the building block that describes the types of relationships a company set up with Customer Segment. Types of links can divide into personal and automated. However, either way, motivation behind customer relationships is to get more customers, hold your current customers or increase your sales. Customer relationships have a significant influence on the overall experience of what your customer thinks about you. (Osterwalder & Pigneur 2010, 28.)

When a company is planning how to handle customer relationships, they need to analyse the cost of the customer acquisition, the effectiveness of various marketing approaches, the average period of customer retention and integrate motivations thru personnel. That's why the company must have a bright idea about their motives. (Holcombe 2016, Search date 4.6.2018.)

Osterwalder & Pigneur (Osterwalder & Pigneur, 2010, 29) in their book of Business Model Generation has categorized Customer Relationships into six different types. These six types are listed below with short description:

1. *Personal assistance*. A regular human interaction where a customer interacts with a real representative for help in the sales process. Communication can do in different ways like meetings, emails, social media, call centers.
2. *Dedicated personal assistance*. A company dedicated one person for a specific customer. This person is a Key account manager who maintains relationships with the customer.
3. *Self-service*. Customers help themselves, and they don't have direct contact with the company.
4. *Automated services*. Here self-service is part of the digital process, and in the best case, it can simulate a personal relationship. It is more user-friendly than self-service.
5. *Communities*. With the communities' company can be more involved with customers and can facilitate connections with community members. In the communities' members can exchange knowledge and solve problems.
6. *Co-creation*. Co-creation is a more extended version of a customer-vendor relationship, and the company encourages customers to write reviews about the products. Reviews will create more value for customers.

### 3.5 Revenue streams

Revenue streams building block shows the ways where the company gets their cash from the customers. Companies continually research how much customers are willing to pay for your products? How they are currently paying and are they satisfied with that? Moreover, how different revenue streams are working? There are different pricing mechanics in each revenue streams. Pricing can be fixed or dynamic. Fixed pricing is a list price in the brochure but may be subject to discounts. Rates can also be different to particular Customer Segment. Dynamic pricing is the opposite, and the rates depend on the market conditions and the skills of the purchaser. In yield management, the amount depends on the inventory and time of the purchase. Also, the auction can be one way of pricing. (Osterwalder & Pigneur 2010, 30.)

Types of revenue streams can be sales or service based where revenue comes from successful sales or service fees. The company can also get revenue from interest or from a rental fee. In some cases, the company can even get revenue from holding stocks of other companies. (Corporate Finance Institute (CFI), Search date 16.6.2018.) Also, according to Osterwalder & Pigneur (Osterwalder & Pigneur 2010, 30) taxes can also come from licensing, subscription, usage, advertising and brokerage fees.

When a company is developing its revenue model, the most critical thing is forecasting the revenue streams. Forecasting can be done in two ways, from top to down or from bottom up. Forecasting from top to down can give entirely false numbers because in this type of forecasting you extrapolate from the total market size and predict how much you capture potential revenue. Bottom-up forecasting you turn everything upside down. There you don't start from total market size, but you identify critical variables over the years where you can generate revenue. You need to calculate how much you need to spend to achieve wanted income and develop goals to process. From here you can predict scale and headcount for the current project. (Ehrenberg 2017, Search date 7.6.2018.)

There are many options when it comes to developing a revenue model. The revenue model is the necessary foundation for your company's success, so you need to stay focused on it. David Ehrenberg has built up seven bullet points to create a revenue model for the company.

1. Choose the best fit for your company and background. So, if R&D drives the company, you should set your revenue model to support it.
2. Revenue model should communicate your value.
3. If you seek investors, make your model support it. Build your revenue model like that investors can see the expected return on investment from there.
4. Project to the future. Show what horizon looks like in the future and what milestones there is where you generate revenue.
5. The revenue model is always evolving. Keep an open mind and accept the fact that you may need to make changes to your revenue model.
6. Find your company variables that have the most impact on your revenue. Identify where you are good and where is still work to do.
7. Rationalize your variables. Transparency is a good thing and there is no sense of hiding risks. With transparency, you can be confident about your numbers. (Ehrenberg 2017, Search date 7.6.2018.)

### 3.6 Key resources

Key resources are assets of the company. Types of resources are physical, financial, intellectual or human and these resources allow the company to create and offer a value proposition, reach markets, maintain relationships with customers and earn revenues. In other word key resources make the business model work. Different resources are needed depending on the type of business model, and key resources can be owned or leased by the company or acquired from a key partner. (Osterwalder & Pigneur 2010, 34.)

*Physical resources* are assets such as manufacturing facilities, buildings, vehicles, machines, systems, point-of-sales systems, and distribution networks. Brands, patents, copyrights, partnerships and proprietary knowledge of our company are *intellectual resources*. *Human resources* comprehend from the people who work in the company. Human resources are crucial in knowledge-based and creative industries. Every company needs human resources. *Financial resources* are the financial guarantees such as cash, a line of credit, or stock options what the company owns. (Osterwalder & Pigneur 2010, 35.)

Key resources are like the Jenga game. In Jenga game, if you remove the wrong block from the tower, it will collapse. It makes key resources something unique. Without it, the whole business collapses. Key resources are expensive to own and because of that company should think to outsource the less essential functions to Key Partner. (Jeffries 2017, Search date 14.6.2018.)

### **3.7 Key activities**

If the key resources were the things which makes the business model work, key activities are the actions what a company must take to operate successfully. Key Activities are required to create value and offer a Value Proposition, reach markets, maintain Customer Relationships and earn revenues.

Key activities are depending on business model type. Companies can organize activities into three different categories. First one is the production which includes designing, making, and delivering a product. Production is the critical part of the manufacturing company's business plans. The second activity is problem-solving where the company creates new solutions to individual customer problems. It is a big part of operations in consultancies and hospitals. In these organizations, activities are knowledge management and continuous training. The last category is a platform or network activities. Networks, software, matchmaking platforms or even brands can create platform business model. In this kind of business model, concrete activities are platform management, service provisioning, and platform promotion. (Osterwalder & Pigneur 2010, 36-37.)

All of these things are important to the company, and yet they happen behind the scenes. However, if you want growth, these things must be running. Key actions should be mapped at the design stage to know how to prepare for future tasks. It is essential to think carefully about the critical functions to create a suitable combination of activities that can create value and manage relationships. (Epperhart 2015, Search date 17.6.2018.)

### **3.8 Key partners**

Key Partners or Partnerships are the suppliers whom your company uses. If the things work out and relationships get deeper those suppliers will become your Key Partners. So, it's good to start to look at who is your current suppliers and determine what resources or activities you need to get



from this supplier. Is it also an excellent time to think that can your company deliver value to our customer segments without this supplier? Remember that the many companies are working at the same space and they are competing against each other, so your supplier is not the only one for you, and this aspect should be taking notice when choosing key partners. (Epperhart 2015, Search date 17.6.2018.)

In addition to suppliers, stakeholders include employees, resellers, end-users and other partners in your company. The interest of the stakeholder is significant for the company. (Kotler, Kartajaya & Setiawan 2011, 61 – 62.)

There are four types of partnerships:

1. Strategic alliances
2. Cooperation. This means a partnership between two rivalries.
3. Joint ventures. Mainly used when developing new businesses
4. Buyer-supplier relationships. (Osterwalder & Pigneur 2010, 38.)

Why companies make partnerships? The first reason is the optimization and scale of the economy. There is no reason for the company to own all resources or perform every activity by itself. Its good idea to reduce costs and optimize work to create partnerships with other companies. The necessary collaboration is a buyer-supplier partnership which operates this way. The second reason is to reduce risks and uncertainty by form a strategic alliance between companies. Moreover, it's not unusual that even competitors do this kind of partnerships in some areas. The third reason is for the acquisition of particular resources and activities. This reason comes in handy when a company extends their capabilities by relying on others. It can motivate the company to acquire knowledge, license or access to customers from the other companies. It is usual in the mobile device industry. (Osterwalder & Pigneur 2010, 39.)

The following list describes the issues that you should pay attention to during a cooperation agreement:

- the strategic importance of the partners
- products time spent in stock
- the profit distribution of products
- the activity of the reseller organization
- control of marketing activities in the distribution channels

- the visibility of the brand of dealerships
- overall satisfaction with co-operation. (Kotler et. 2011, 68 – 69.)

### 3.9 Cost structure

The final building block of the Business Model Canvas is the Cost Structure. This block describes all the essential costs generated when company operates the current business model. Before this Business model canvas has shown a lot of big claims on the canvas, all the resources what company is going to purchase and people who have to be employed and activities what to perform, Channels where to operate, Relationships to manage. These things will cost, and this is the place to realize the truth about how much actually company has to make money from each sale and quantify how many deals are required to break even. That's why cost structure is essential to understand. (Jeffries 2017, Search date 14.6.2018.)

Business models can be cost- or value-driven models. Cost-driven model means that the company wants to minimize all the costs. The aim is to create leanest possible cost structure, using low price Value Propositions, automate everything and outsource what is possible. Companies who practice value-driven model are less concerned with the costs and in-stead of that, they are focused on creating value. (Osterwalder & Pigneur 2010, 41.)

In concrete terms the costs are generated thru these types:

- One-time costs. Startup costs of items and services that are necessary to begin trading, but then last for many years.
- Ongoing costs. These costs are coming from purchases of the raw materials, staff salaries, annual licenses, utilities, and maintenance of your equipment.
- Fixed costs. These costs are coming every month regardless of how much company uses them or not like rent of the building.
- Variable costs. Purchases which are directly used in serving a customer, and which vary based on your total number of sales. (Jeffries, Search date 14.6.2018 2017.)

## **International trade**

Case company is aiming into global markets. It was the reason for this part because it will give useful information and tips on how to succeed in the international markets. It is always good to review the theory of the subject what will be a crucial part of the company's future. Even the company has excellent knowledge of international trade it is good to refresh memories.

Trading goods and services between countries are called international trade. It gives the opportunity to consumers and nations to get goods and services which are not available in their own country. Exporting means selling products to the international markets. Importing is buying products from global markets. International trade opens up the opportunity for specialization and more efficient use of resources. Country's capacity to produce and acquire goods benefit from international trade. It also opens the possibility to market changes due to global events. For example, political changes can affect product prices. If labour costs increase in Asia, our sneaker prices in Finland will rise also. Sure, thing in the global economy is that it is in continual change all the time and it requires adaptability from participants who are doing international trading business. (Heikal 2018, Search date 20.6.2018.) Ongoing trade war between the US and China is good example of this.

Exporting business creates new jobs and increase economic growth. Companies gain an extra advantage in global trade by becoming more efficient and productive than those companies who only focus on domestic markets. Cons about international trade are that it can also reduce jobs from local industries who can't compete with global players. Results can see when companies out-source jobs and have to move workplaces to cheaper countries where the cost of living is lower. (Amadeo 2018, Search date 20.6.2018.)

Next part of the thesis is about creating a real business model canvas for the case company. In this following chapter, BMC is filled up in the workshop which will be arranged in the case company. After the complete BMC, I will analyse and open it block by block.

## 4 CASE STUDY: BUSINESS MODEL CANVAS FOR THE CASE COMPANY

For the case company, it would be helpful to analyse where they are now, who are the customers of the company and what distribution channel the company is using. BMC model gives details to each segment. Even if the BMC design areas are known in the company, it would be good to consider whether a subset of the model is weaker than the other. This way, the company can locate problems, develop them, and become more successful in business. It is good that the report includes employees from different areas of the company, giving a comprehensive view of the strengths and areas of development of the company.

Start situation at the case company was that there is a business plan made for the company but not yet a business model canvas. The Business Model Canvas model has not been initially created to override the business plan, but it works best to innovate and develop new business ideas. The Business Model Canvas model is considered to be a more versatile version of the business plan. However, when using the Business Model Canvas, its dimension should be overlooked as a simple business plan summary and understand its potential for developing old and new business ideas.

Business Model Canvas, however, lacks a range of business-specific features, so its design alone is unlikely to be sufficient. BMC's presentation does not, as such, highlight all the analyses and studies involved in design work in the same way as a business plan. Business Model Canvas is a one-page read-only table and updating it in change situations is easier. Business Model Canvas is also an excellent tool for employee engagement if you want to innovate and plan your business strategy or other key actions together with your employees. Up to a certain point, the Business Model Canvas model is sufficient for the company's only plan. However, it must be designed based on comprehensive background work, for example, through competitor and market analysis.

In this thesis, the aim was to create this Business Model Canvas for the case company. Canvas was filled up in the workshop. At the start of the seminar, Business Model Canvas was introduced for the participants with the example questions for each section (Appendix 1).

Before I started to plan a meeting where Business Model Canvas creation was aiming to happen, I thought what the best way or the method would be to get results. My decision was the workshop. The idea of the workshop is to bring together people from various backgrounds whom all share an

interest in a standard issue or a problem. The workshop aims to increase people's participation in solving collective problems by giving them an opportunity to influence. Workshops are an excellent tool to solve the issues and bring up new ideas from the participants. (Turku school of economics 2014, Search date 2.7.2018.)

Workshop goal	Create a business model canvas for the case company
Pework goals	Arrange a relaxed, confident and private environment Have markers, sticky notes, and paper for everybody Allow 60 minutes of undisturbed time
Participants	Research manager, Chief Mechanical engineer and Product Manager
Workshop implementation	Case company's meeting room with a big whiteboard and 60 minutes of undistributed time. The author of this thesis was the maintainer of the speech and run the workshop.
Workshop checklist	Fill all the seven building blocks of the business model canvas. Customer Profile and Value Proposition blocks are filled later from the Value Proposition Canvas.
Workshop results	The case company has a business model canvas.

*FIGURE 6. Workshop plan*

The first thing to build up this workshop was to arrange the best time for it. Time of the workshop should be at that point where nobody has anything else on his or her mind and have one hour of undisturbed time. The second goal was to get a right place for the workshop where every participant can be relaxed, and there is no hassling and dazzling in the behind. The issues discussed in advance, so everyone had time to prepare. Table 5 below shows a research plan for a pre-established workshop.

The workshop was held at the company premises on June 15, 2018, at 14.00 - 15.00. All the invited people, namely the company's Research Manager, Chief Mechanical Engineer and Product Manager, were present. These particular people were selected because I wanted to get many opinions about the Business Model Canvas. The most important person was the Research Manager because he has been at the case company since its opening day. All the participants were committed to filling the business model canvas, and it was good workshop also because it was also a good reminder session in the company how everything works and where is still stuff to do.

The process of the designing the Business Model Canvas was that the canvas was painted on the whiteboard. Then we went block per block further. The role of the thesis author was to be a facilitator and keep the conversation going, and he also told his ideas about the interview. In this way, the debate proceeded naturally and stayed on the whole workshop.

At the workshop, we didn't go thru all of the blocks in the model because blocks Customer Segment and Value Proposition was designed later in the thesis process. All the remaining blocks of the business model canvas was handled at its own and written to the whiteboard. After the workshop was completed student took a picture of the whiteboard (appendix 2). Finally, later when the Value Proposition canvas was created the student filled out the Value Proposition and Customer segment blocks into this earlier business model canvas and took a picture of the whiteboard (appendix 3), and then wrote in the report point by step.

## 4.1 Workshop results

At this part, I will go thru our workshop results block by the clock. The main aim of the work-shop was to create BMC for the company, and that target is achieved. Time what we acquired for this workshop was enough for filling the canvas. In this ready BMC, I also included the information about the Customer Segment and the Value Proposition which were created by using the Value Proposition Canvas later in this thesis. First, you can see the ready full filled BMC for the case company from the figure 7.

<b>Key Partners</b> <i>Partner companies/</i> <i>Strategic alliances:</i> <u>PexreyTech &amp; Kindhelm</u> <u>Taiwan manufacturer</u> <u>Anhui Crearo</u>  <i>Buyer-Supplier relationship:</i> Suppliers	<b>Key Activities</b> Hardware design. Software design. Sales & Marketing. Business development. Brand awareness. Market research.	<b>Value Propositions</b> <i>Product:</i> <ul style="list-style-type: none"><li>• Dangerous detector</li></ul> <i>For customs:</i> <ul style="list-style-type: none"><li>• Preselection</li><li>• Fewer resources needed</li><li>• Reduce human errors</li><li>• More effective surveillance</li></ul> <i>For police:</i> <ul style="list-style-type: none"><li>• Gives more information</li><li>• Reduce disruptive behaviour</li><li>• The feeling of security rises</li><li>• Work safety increase</li><li>• Educational possibilities</li></ul>	<b>Customer Relationships</b> “Customer intimacy” Personal assistance type of communication to the customers. Customer segment needs close attention to create solutions together with them. Purchases are done with tendering.	<b>Customer Segments</b> International markets. Niche market strategy <ul style="list-style-type: none"><li>• Customs</li><li>• Police interrogation</li></ul>
	<b>Key Resources</b> <i>Human resources:</i> Skilled staff. <i>Physical resources:</i> Product related knowledge and machinery. Office. Partner network. <i>Financial resources:</i> Owned by bigger company.		<b>Channels</b> Direct to end customers. Own salesforce. Exhibitions. Networking. Emails and phone calls. The whole sales process is handled in the company.	
<b>Cost Structure</b> Value-driven model. <i>One-time costs:</i> Parts and software purchases. <i>Ongoing costs:</i> R&D and salaries. <i>Fixed costs:</i> Rent.			<b>Revenue Streams</b> <i>Revenue model:</i> Transaction fees from successful solution sales. Top-down market estimation model.	

FIGURE 7. Created Business Model Canvas

## Customer Segment

Case company aims for the international markets. The company has much experience with international trade and the markets which the company seeks to are much readier and broader at the international stage than in the domestic landscape. At these global markets, case company aims to get into niche markets because of the nature of the product. The product, in particular, and it gives the best value for the specific customers. At least at the start of the product sales case company only focuses on niche markets which contain police interrogation services and customs. One thing that came out was that the product should first pilot in Finland with these particular customer

segments to co-create features with them to make the product more reliable and proven with home country customers.

In conclusion case company's customer segments are international police interrogation services and customs. Later there are many more different customers segments where case company can provide value, but these two are now the primary customer segments.

## **Value Proposition**

Case company develops a product called dangerous detector to the customers. This detector is something that no one hasn't done before. It provides a massive opportunity for the case company but also make value proposition little bit harder to figure out because there are no markets ready for the company. Still, in this thesis, we manage at the workshop to create value propositions for the company's customer segments.

For the customs, this product will bring value in many ways. The first thing is that with the product customs can preselect people for the further investigation. So, it is like a drug dog what sniffs all the passengers and pinpoints those who may have narcotics. Case company's product works quite a similar way but only thru the technology which is, in this case, a camera with artificial intelligence features. It helps customs to have fewer recourses needed in the, and it will reduce human errors. With all of these values, we can say that the surveillance in the customs is much more efficient than the regular camera surveillance before.

The primary value proposition for police is that the product will give them more information than before. This information comes from the artificial intelligence features. It is vital to make clear that the police customer segment doesn't cover all the police forces. It only focuses their interrogation services. So, the more information what police officer will get is only valid in the interrogation situation not in the field at this point. This solution could be useful in the bodycams what police use in the field because it could alarm officer if the opposite person is acting suspiciously. With these artificial intelligence features, the product will also reduce disruptive behaviour in interrogation situations. Case company's product can use for the educational purposes. A by-product of these mentioned values will create police forces other benefits which we think are that the feeling of security among the officers will rise and their work safety increases.



## Channels

Channels are exiting part of the BMC because here we go thru which channels company will use to get in touch with their customer segments. People who are dedicated to create and handle these channels will be the company's own sales force. At the workshop, the prevailing idea was that the company would not use any distributors or sales partners. Everything will be handled with own salesforce which will work in the company. Strategy for controlling the channels will be that the salesforce will always be in direct contact with the end customers. Main methods will be networking with end customers to know them and build trust between each other. Direct emails and phone calls can do this networking. Also, social selling and exhibitions will be a big part of the channels. In conclusion, the whole sales process will be done within the company, and there will not be out-sourced actions at least not at this moment.

## Customer Relationships

At the workshop, it came clear that one primary strategic choice is that the company will focus their actions based on the Customer Intimacy. This strategy choice will affect almost all of the BMC building blocks, but we wanted to put it into this section. What customer intimacy means? If we look the business dictionary for the definition of the customer intimacy it says this:

*“A marketing strategy where a service supplier or product retailer gets close to their clients. The benefits of greater customer intimacy for a business might include improved highly tailored problem-solving capabilities and greater adaptation of products to customer needs, as well as higher customer loyalty levels”* (Business Dictionary, Search date 5.7.2018).

We can say that the customer intimacy strategy is a big part of customer relationships and it is integral part of case company's business thinking. When this strategy is in use company needs to be on top of the customer all the time and have strong relationships with them. It is also one reason for the case company to focus on niche markets, so they can focus solely on these particular customers to succeed with their customer intimacy strategy. Customer intimacy can be quite expensive because products are tailored the product to fit an increasingly excellent definition of the customer, but in return, it will give long term loyalty from the customers. Customer intimacy also pushes employees to do almost anything for the customer to make sure that each customer gets what they want. (Treacy & Wiersema 1993, Search date 25.7.2018.)

If we go to the methods how case company will handle their customer relationships, one leading idea is that the company will use personal assistance type of communication. It means that every customer will get personal service and they have their dedicated account manager who will help them with everything. It is crucial especially with case company's customer segments because the government mostly owns customs and police forces. Governmental customers are hard to get, and they require full trust for their suppliers. A standard way of the purchases is done with tendering, but it doesn't mean that they don't need personal touch with their supplier. If the company held good relations with the governmental customer, they might have the opportunity to impact the tendering products and requirements.

### **Key Recourses**

Every company needs different resources to exist. In theory, part of this thesis resources is divided into four different sections, and this was the base of filling up the Key resources building block. These four sections are human, physical, intellectual, and financial resources. Human resources are the case company's biggest asset because the company staff is skilled, and they have different knowledge and experience from various aspects. Everyone has their unique skillsets, and his or her work tasks are based on these skills. In that sense, the key resources of the case company are its skilled staff.

Physical and also intellectual resources of the company are all the product related knowledge and machinery. At the moment case company doesn't own patents or copyrights so this product is pertaining experience is not an actual resource, but it can be included in this part. Physical key resources in the case company are also the machinery what company owns example the demo units of the developed product. Also, the company has own office, so it can also be included in the key resources of the company. One crucial physical key resource is also the broad partner network what the company has. This network has the result of the case company's employees' networks and the owner company's other companies. Financial resources are on the fact that the big international stock company owns case company. It gives the case company tremendous financial support.

## **Key Activities**

Key activities are the things what makes the company running. Now when the case company is entirely new, and at the start-up phase, the key activates are different than in the companies which have been running for years. In the workshop, the most definite opinion was that the product development and customer profile creation are the most important activities at the moment. Product development contains different activities. These activities are hardware, and software design and market research. Customer profile creation which includes market research is an essential part of the product development because it will give the guidelines to the hardware and software designers to create product what would fit the customer's needs. These three activities are in the right hand at the case company because in every action one dedicated employee is working for it.

After these three most important activities at the moment, there are still a few activities what came out in the workshop. These activities are sales and marketing, business development and building the case company's brand awareness. Of course, the sales and marketing part will come when the product is ready, and it can be piloted with the customers. However, the business development and brand awareness activities are activities what case company should start to do in a quick response.

## **Key Partners**

Case company has already many key partners. Most close partners are two companies which have been founded by the same international stock exchange company at the same time that the case company. These companies also are based in Finland, and all of these three companies including our case company have the same CEO. Besides, these three companies use the same resources in different areas to divided costs and risks. It is an excellent key resource for the case company.

With these two sibling companies, the case company has a couple of other good key partners. These partners are newly launched manufacturer in Taiwan and one China-based company who has same origins than the case company has. These partners can provide good piloting opportunities, networks, and cultural knowledge from Asian markets to the case company.

The case company also creates Buyer-Supplier partnerships. There are few companies where case company buy different services in different business areas. These relationships are normal buyer-supplier relationships without any more profound connection.

## **Cost structure**

Based on the findings from the business model canvas, I can say that the case company is practising value-driven model in their operations because they are focused to create value and not minimising cost all the time. Of course, it's not so black and white. In the case co-pays cost structure there are activities where company outsource or think how they can do things with reduced costs.

Costs what the case company has are mainly R&D and salary costs. There is now, and then some purchases of different components or software but the initial expenses are these earlier mentioned ongoing costs. Also, there is rent payments and other essential things what you need to have an office and company running.

In summary, the case company's cost structure is entirely lean at this moment. No useless costs are running all the time and planning is in good control. The cost structure is one to keep an eye on when a company starts to manufacture its products. There will be big decisions to make like do the company manufacture products themselves or use some else. Can the company do some part themselves to reduce costs? Then this section is critical to focus.

## **Revenue streams**

At this moment case company's revenue streams are in the development phase. There are no revenue streams because the company don't make sales yet. However, there have been plans for this section. One strategic decision is that the future revenue model is sales based and revenue comes from transaction fees of the successful solution sales. This one means that the company aims to sell their products directly to the end customer. At this moment there will not be service related solutions or renting or licensing plans to create revenue. These things can change over the time and thru the first partnerships with the customers. One improvement idea is subscription-based model what includes customer support, product updates or similar features in one monthly subscription fee.

Top down-market estimation model is the model what case company use to research their potential markets. Forecasting from top to down type of forecasting is based on total market size and predict how much you capture potential revenue. This model has been in use at the case company when they have done market research of different markets where their products could achieve success.

## 5 THE VALUE PROPOSITION CANVAS

This chapter is about the theory of the Value Proposition Canvas. This chapter gives more information about this business modelling tool, and it will be an essential part later when this canvas is created for the case company. This creating part is the chapter 6 in this thesis. Value proposition canvas is one of the best tools to understand your customers. Alex Osterwalder created it. It will give you valuable information about your customers including their jobs-to-be-done, pains, and gains, as well as your offer to them (Business Models Inc, Search date 3.7.2018).

A Value Proposition Canvas is an effective way to design value proposition. It is mostly an equation of three key ingredients, customer understanding, company's offerings and finally the fit between these two (Cleverism 2015, Search date 14.6.2018). Value proposition canvas is divided into two parts which are Customer Profile and Value Map. Customer profile will clarify your customer understanding, and Value map will show how you create value for your specific customer. The objective is to have these two parts meet each other and form a fit. (Osterwalder, Pigneur, Bernada & Smith 2015, 3.)

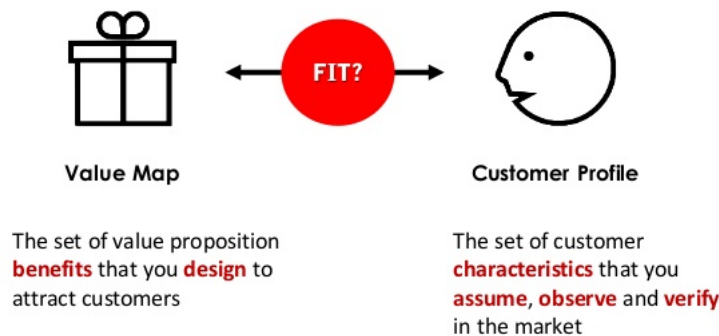


FIGURE 8. Value Proposition fit

Now I will go deeper into value proposition canvas and open up what it contains and how it should be filled. Moreover, because in my thesis we will build up our value proposition canvas I will include a few examples of questions for each section. The process of Value Proposition Canvas holds three different phases. These are the Design, Test and Evolve. In my thesis, I will only focus on design and partly in testing. Reason for this is that testing and evolving parts are continuous work for the company.

## 5.1 Customer profile

Customer profile's primary function is to describe a specific customer segment in your business model more detailed way. It contains customers jobs, pains, and gains. Customer job means that what your customer is doing in their work. Pains show what is wrong with their work and what should be better. Gains shows those things which are making your customers happy at this moment.

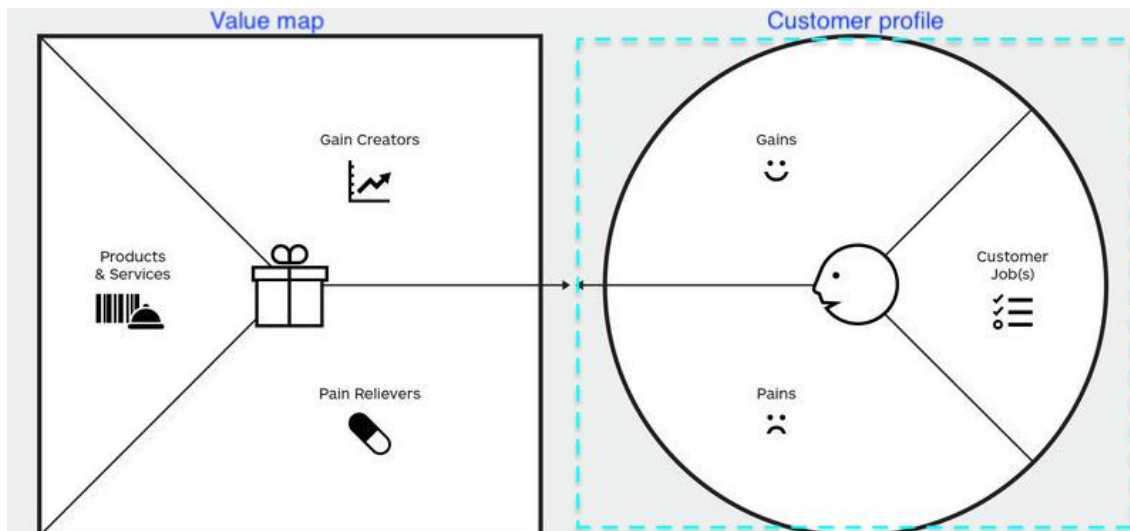


FIGURE 9. Customer profile at Value Proposition Canvas (adapted from Osterwalder, et al 2005, 8-9)

First, let's look a little bit deeper into customer jobs section. This section you fill the tasks what your customers are trying to perform and complete, the problems they are solving or the need what you should satisfy. Customer jobs can be divided into three types of jobs. These jobs are functional jobs, social jobs, and personal/emotional jobs.

Functional jobs describe that kind of jobs which try to complete a specific task or solve a particular problem. Social jobs are more about the customer's feelings. The aim is to look better or gain more power among the others. For example, if the customer wants to show his ability, he could buy an expensive car to show it to everybody.

Personal customer jobs are also more about the emotions where customers try to find specific feeling from the product like safety. In addition to these three types of customer jobs, there can also be other supportive jobs what customers do. These supporting jobs are buyer-, co-creator- and transferrer of value. With these jobs, customers spread your value proposition to the others like

writing reviews. It is good to remember that your customer values their jobs. Differently, some are more important to them than other. Mostly, it is about the needs and requirements of the customer and his demands. (Osterwalder et al 2015, 12.)

Example questions for customer jobs are:

- What functional jobs is your customer trying get done?
- What social jobs is your customer trying to get done?
- What emotional jobs is your customer trying get done?
- What basic needs is your customer trying to satisfy?

Gains are the outcomes and benefits what customers want. The customer expects or re-quires some of the gains what product should give to them. Gains can also be desired ones and rest only as a positive surprise for them. Here are all the main types according to Osterwalder et al

1. Required gains. Features what customers need to complete their work
2. Expected gains. Features what customers expect from the product. They can accomplish their work without them
3. Desired gains. Things what customers love to have but only dream about them. Usually comes up when asked.
4. Unexpected gains. Features which go over the wildest dream of the customer expectations. (Osterwalder et al 2015, 16.)

Example questions for customer gains are:

- Which savings would make your customer happy?
- What outcomes does your customer expectations and what would go beyond his/her expectations?
- How do current solutions delight your customer?
- What would make your customer's job or life more comfortable?
- What are customers looking for in the product?

Pains describe bad outcomes related to customer jobs which they want to solve. They can be undesired outcomes, problems, and characteristics (practical, emotional, or ancillary), as well as obstacles and risks. Unwanted consequences mean that solution isn't working, or it makes the user feel bad when using it. Constraints can be the too high price of the solution or something else what prevents a person to use the solution. Nowadays especially cybersecurity in products and solutions

are risks for the companies, and that's why they don't dare to buy something new. (Osterwalder et al 2015, 14.)

Example questions for customer pains are:

- What does your customer find too costly?
- How are current solutions underperforming for your customer?
- What are the main difficulties and challenges your customer encounters?
- What common mistakes does your customer make?
- What barriers are keeping your customer from adopting solutions?

### **Ideal customer profile**

To get started with the Value Proposition Canvas, always begin with the customer. First, have a conversation with your team about who your customer is. It is the reason why I now first explain how to create an ideal customer profile. I chose this next tool to help me with this subject, and it is more suited to B2B markets than the Persona Canvas.

Ideal customer profile determines to whom your company wants to sell. It's a basis of sales prospecting and lead qualification. (Spacey 2018, Search date 1.7.2018.) Salespeople need guidelines to keep them focused on the right customers. Ideal Customer Profile and buyer personas documents will give them these guidelines, and they know where and how they sell products without wasting time on bad customers. Ideal Customer Profile defines vital information what you want about the customer (Campbell 2016, Search date 2.7.2018.)



Here is one example of Ideal Customer Profile

<b>Ideal Customer Profile Outline</b>		Your Ideal Customer Profile can also be defined as a target market, or ideal customer profile. For B2B companies you need to put general parameters around what companies actually are a good fit for your goods/services and your organization.
Typical customers are:	Answer	Tips
Industries		list the industry verticals and sub markets (tip if each industry has a very different profile for target customers create target profiles for each, or focus more)
Revenue Size		what is the annual revenue size of your target customer (tip if it is a huge range, segment into multiple targets, or focus more)
Employee Size		what is the employee size of your target customer (tip if it is a huge range, segment into multiple targets, or focus more)
Geographic Location		where are your target customers located
Market Size in Geographic Region		how many potential customers are in your ideal market
Geographic Reach		what is the market reach for your target customer
Typical Customer Roles		These are not titles. for example if your target buyer is the person in charge of marketing results they could be a Marketing Director, VP of Sales, President or Marketing Manager. These higher level roles are the where do they go for information, who's opinions do they value, make sure to mention tradeshow and trade associations that are relevant and industry publications
They make decisions to buy...		
Best way to communicate with them is...		what channels and platforms do they use to communicate with, social, email, phone
They value...		what do they value from us
Their main challenge...		what is the biggest challenge for the organization
Customers engage us when they are looking for...		why would they want to work with us over the competition or other solution

FIGURE 10. Ideal Customer Profile (Adapted Campbell 2016, Search date 2.7.2018)

After completing this kind of template where you define your ideal customer company you should focus 1-2 markets and make buyer personas out of them. These personas are fictional humans who represent typical people who are decision-makers in the buying process. These persona profiles help your sales team to get in the head of the customer and find his or her pain points and how they make decisions. (Campbell 2016, Search date 2.7.2018.) When you are creating buyer personas, you'll want to draw a complete picture of who they are, example demographic details, how they use your products and how you can reach them (Shopify, Inc, Search date 23.5.2018).

Ideal customers can lead to a situation where your company has more interest in them than to others, and it can be challenging for start-ups but in the long term focusing on to the ideal customers will make business more efficient and disciplined. Focusing on to the ideal customers can help your staff to focus their resources and time better. Important tip for acquiring these customers are making your company message align with their needs and interest. Moreover, for making it clear, that focusing on ideal customers doesn't mean ignoring other customers, it just spending your time little more efficient and more profitable. Start-up companies need these kinds of ideal customers as much a possible who love your products and can help you develop them even better ones and don't ditch your product to rivals product at the first mistake. (Evans 2015, Search date 2.7.2018.)

Many different customer profiles in business-to-business are part of the purchasing process. Some of the profiles are users of products, and some make the decisions. All of these profiles have their jobs, gains, and pains. Below are the six different types of profiles what Osterwalder et al have built up in their book Value Proposition Design.

1. Influencers. Persons who can make big influence on decision makers opinions and decisions.
2. Recommenders. These profiles search, try and evaluate different solutions. Their aim is to make formal recommendation to decision maker to either buy or not to buy.
3. Economic buyers. These buyers sit on top of the money chest. They, in the end, make the order, and budgets and financial aspects drive these people. In more prominent organizations, this type of people can be outside of the company.
4. Decision makers. "Big boss" who is at the end responsible for the choice of the product and purchase decision. The decision maker can also be a group of people like a board of the company. They have the ultimate authority over the budget.
5. End Users. People who use the product. End users can be active or passive in the purchasing process depending on how much they connect to the process.
6. Saboteurs. These ones want to derail or sabotage the purchasing of a new solution. (Osterwalder et al 2015, 51.)

## 5.2 Value map

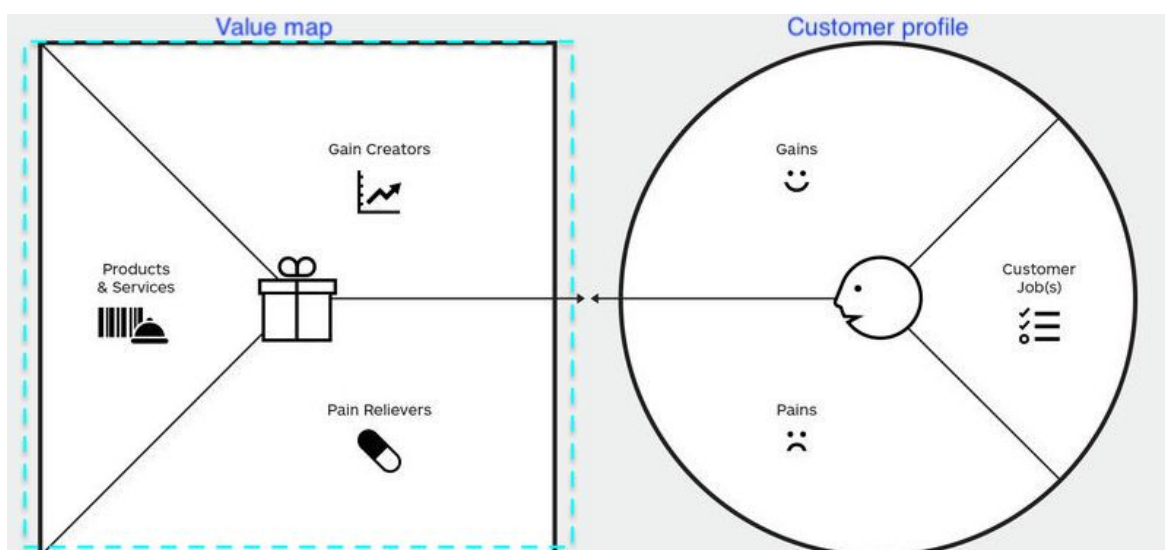


FIGURE 11. Value map at Value Proposition Canvas (adapted from Osterwalder et al 2015, 8-9)

When you have figured out gains, pains and customer jobs of your customer and figuring out how your new product or service answers them is one of the most important parts of building a business strategy. The Value Map is a visual tool that lets you plan what problems or desires your product or service addresses in a way that allows you to find a match between your product and the expectations of your customers. Value map also contains three blocks same way as the Customer Profile. In value map these three blocks are Product & Services, Gain creators and pain relievers.

Product & Services are merely a list of what you offer and where your value proposition is made. It's crucial to acknowledge that products don't create value on their own. They need to be addressed to specific customer segment and fulfill their jobs, pains, and gains. If the company have supportive services which help the customer to buy your products, you may also address these in this block. Products and services can be physical, intangible, digital or financial. (Osterwalder et al 2015, 29.)

Example questions for Product & Services are:

- Which products and services you offer that help your customer get either a functional, social, or emotional job done, or help him/her satisfy basic needs?

Into the pain relievers block, you should address all the features of your product which handle the pains of the customer. Features should reduce the things which your customers annoy before, during or after they complete their jobs. The company shouldn't try to handle all the pains what customers have because it's a dead end. The best way is to focus on the critical pains and offer pain relievers to them. Great value propositions are just like that because they will alleviate those few vital pains exceptionally well. So, when the company is creating a value proposition, it should focus on pains that matter the most to customers. (Osterwalder et al 2015, 31.)

Example questions for Pain relievers are:

- Do your product produce savings?
- Will your product fix underperforming solutions?
- Will your product eliminate risks your customers fear?
- Will your product limit or eradicate common mistakes customers make?
- Will your product get rid of barriers that are keeping your customer from adopting solutions?

Gain creators are the features which give something more to the customers. They address how your product or service will be beneficial to the customer. It is based on your customers expectations and desires in the form of emotions, social gains, usage or cost savings. As like the pain relievers, the company shouldn't try to fulfill all the gains of the customers want but to focus on the relevant ones and those which make you different than the others. (Osterwalder et al 2015, 33.)

Example questions for Gains are:

- Will your product create savings that make your customer happy?
- Will your product produce outcomes your customer expects or that go beyond their expectations?
- Will your product make your customer's job or life more comfortable?
- Will your product do something customers are looking for?
- Will your product produce positive outcomes matching your customers success and failure criteria?

### **5.3 The fit**

The fit between Value Model and Customer Profile is the number one requirement of a successful value proposition. The fit will be reached in three stages. These stages are, Problem-Solution, Product-Market, and Business Model stages or as a "fits."

Problem-Solution fit is achieved when you have evidence that your customers need certain things and you have designed value proposition to answer to these needs. At this stage, you don't have proof that your value proposition is liked or not. It's only working on paper not proven in the markets.

Product-Market fit is achieved when your product has reached to the markets, and you have evidence that your value proposition is working and creating value for the customers. In this stage, you find out also which things are not working, and you can make adjustments to your value proposition.

The last stage is the Business Model stage, and it includes that your company has managed to create a working business model around your value proposition and it is scalable and profitable. Even if the company has a high-value proposition, it cannot work without a good business plan and

vice versa. You haven't reached the business model fit until you make more money with your value proposition than you are incurring costs to create and deliver it. (Osterwalder et al 2015, 48-49.)

The goal of the Value Proposition Canvas is to assist you in designing great Value Propositions that match your Customer's needs and jobs-to-be-done and helps them solve their problems. It is what the start-up scene calls product-market fit or problem-solution fit. The Value Proposition Canvas enables you to work towards this fit more systematically.

## **5.4 Value Proposition**

The value proposition is based on the value but what is the value? If you search the meaning of value, there are many different definitions for it. However, now we are speaking the value in business, so in that case, the value can be defined like this according to the Business dictionary:

- Economical aspect: "The worth of all the benefits and rights arising from ownership. Two types of economic value are the utility of a good or service, and power of a good or service to command other goods, services, or money, in voluntary exchange."
- Marketing aspect: "The extent to which a good or service is perceived by its customer to meet his or her needs or wants, measured by customer's willingness to pay for it. It commonly depends more on the customer's perception of the worth of the product than on its intrinsic value" (Business dictionary, Search date 25.7.2018).

So, as you can see the primary meaning of value is depending on customers feel about your product and services. However, why it matters? It's all about trust. Your future customers demand faith when they are buying something from you our work with you. Products and services what the company is selling will quickly become a commodity without trust. Customers will soon trade to the next provider for a slightly lower price or flashier packaging without faith. Trust builds partnerships and increases loyalty among your customers. (Fowler 2016, Search date 25.7.2018.)

The value in business depends on the point of view of the matter. The value depends on the customer, the company's staff, and other stakeholders. The subjective viewpoints of the customer and the company are different because the customer can value something more than what was inside the company. That's why it's important to interview customers and inquire about their feedback. (Kotler 2005, 3.)

The primary value created by the company is a quantitative value that is a combination of service, quality, and price. This combination must meet the requirements of the target group. The qualitative value, on the other hand, is based on customer experience and sound design. (Osterwalder & Pigneur 2010, 23.) However, the value will only be realized by the customer after he or she uses the product. Before that, the value presented by the company is just a promise of the product being sold. (Kotler 2005, 3).

The customer is willing to buy the product if he judges the product to bring him more value than he or she has to pay for the product. From a company's point of view, the company is willing to give up the product at that price. Value creation is based on the commerce between the two parties and the buyer and the seller. (Brennan, Canning & McDowell 2008, 92 - 94.)

"A value proposition is a positioning statement that explains what benefit you provide for who and how you do it uniquely well. It describes your target buyer, the problem you solve, and why you're distinctly better than the alternatives," says Michael Skok in his article 4 Steps To Building A Compelling Value Proposition in Forbes magazine (Skok 2013, Search date 18.7.2018).

A value proposition is the cornerstone of effective product marketing measures. It brings together customer knowledge, competitiveness vision, and product appreciation. It produces a short, supportive line of products and services. It also defines how the target customer realizes the value of the products. A value proposition provides a centralized approach to understand the customer from product point-of-view. (Hudadoff 2009, 2, Search date 27.6.2018.)

There are ten characteristics which good value propositions share:

1. Value propositions are links into great business models
2. Propositions focus on the jobs, pains, and gains which are relevant to customers
3. Moreover, from a customer profile, they concentrate on pains, gains, and jobs which are unsatisfying
4. Do excellent work for few jobs, pains, and gains.
5. Go beyond wildest dreams on functional jobs and brings up emotional and social jobs
6. Go hand in hand with customers success measurements
7. Focus on pains, gains, and jobs which customers are ready to pay much money
8. Are different from competitors on the things which customers care about

9. Wins competitor on at least one area
10. Are hard to copy by others. (Osterwalder & Pigneur 2010, 72-73.)

## 6 CASE STUDY: THE VALUE PROPOSITION CANVAS FOR THE CASE COMPANY

The planning of the workshop was initiated by the need of the product strategy for the new product. Moreover, at this point, the best way to start is to build up The Value Proposition Canvas for the company. The new product is still in the developing stage, and we needed some guideline where to go, what is the company's Value Proposition and who our customers would be. The Value Proposition canvas is also a vital part of the Business Model Canvas what I'm creating for the company. The Value Proposition canvas can be used to invent a value proposition, and it will build a shared language of value creation into the organization. Canvas should be in constant use to improve and create value propositions that will meet customer profile. (Osterwalder et al 2015, Intro XX.)

Start situation in the company was that there aren't any documented plans whom they will sell the products and what will be the offered value proposition. There were only talks about what can we do and who, so it was a good time to put these into paper and use The Value Proposition Canvas to clear up the idea to everyone. Also, this part is essential for the Business Model Canvas which were created for the company.

Value Proposition Canvas was created at the workshop. The workshop was arranged the same way than earlier with the creation of Business Model Canvas. The workshop base on the theory of The Value Proposition Canvas, and it followed the path what Osterwalder and Pigneur were created. Figure 13 shows a research plan for a pre-established workshop.

Workshop goal	Fill up the company's value map for the particular customer segment
Pework goals	Arrange a relaxed, confident and private environment Have markers, sticky notes, and paper for everybody



	Print or draw the canvas on a big sheet of paper Allow yourself 60 minutes of undisturbed time Always start with the customer
Participants	Research manager, Chief Mechanical engineer and Product Manager
Workshop implementation	Case company's meeting room with a big whiteboard and 60 minutes of undistributed time. The maker of this thesis was the maintainer of the speech and run the workshop.
Workshop checklist	Identify and prioritize at least five functional, social and emotional jobs-to-be-done Identify and prioritize at least five pains and five gains Every pain or gain is directly addressed by a corresponding pain reliever or gain creator The products and services cover the gain creators and pain relievers
Workshop results	According to the results company now has the ready value map and based on that product development process can go further in line with value model.

FIGURE 13. Value Proposition Canvas workshop plan

Three people were selected from the company who acted in different positions, but all towards the same goal. In advance, it was also agreed this time we don't speak about technology. The aim was to only focus on our future customers. The goal was to get a ready-made model that would allow us to check whether we were going in the right direction or do we need to change the plans according to the results. The workshop was led by the author of the thesis, and he also led the discussion of the workshop and took it forward.

The workshop was held at the company premises on July 16, 2018, at 14.00 - 15.00. All the people invited people, namely the company's Research Manager, Chief Mechanical Engineer and Product

Manager, were present. With varied opinions, a wide range of different perspectives for the construction of canvas were obtained. Arranged time was enough to fill Value Proposition Canvas, and the conversation continued after the workshop lively and thoughtful way.

On the whiteboard of the conference room was drawn a Value model followed by a Customer Profile on the other side of the table. The model was complemented by open and lively discussion at a point. Each participant was well prepared for the workshop because the scope of daily work covers on some of these things. It enabled an open and thoughtful discussion. The sections of both models were passed. With the handling of the models, we went through two distinct customer segments, both customs, and police, and both of them listed the most critical needs of our customers and our solutions. The role of the thesis author was to be a secretary and keep the conversation going, and he also told his ideas about the interview. In this way, the debate proceeded naturally. The participants were enthusiastic during the workshop, and after the event, they were happy with the output of the work-shop. Finally, the student took a picture (appendix 4-7) on both sides of the table, which he wrote in the report point by step.

## **6.1 Workshop results**

Workshop goals surpass expectations because we were able to create two different value proposition canvases for two distinct customer segments. Aim for the workshop was to develop one canvas for one customer segment but we were able to create two. Reason for this was a new idea for customer segment what came up in the workshop. Our created canvases are based on the company's primary customer segments. These segments are Customs and Police especially Police interrogation services.

After the workshop, I documented all the information which came up in the workshop and transfer them to Value Proposition Canvas. Canvas which I used were on the Strategyzer website ([www.strategyzer.com](http://www.strategyzer.com)). It was the same website where I filled up Business Model Canvas earlier. I decided to use this website because it enabled me to get all the information in the electronic form and I was able to share them with the case company workers. In this website, the canvas is securely in safe, and, in the future, the company can develop canvases even further.

First, I will go thru the Value Proposition Canvas for Customs. In this picture (figure 14) you can see our value model and customer profile of the customs. The second picture in this chapter

contains Value Proposition canvas for the Police, and it also shows what we offer for them and which kind of customer profile they have.

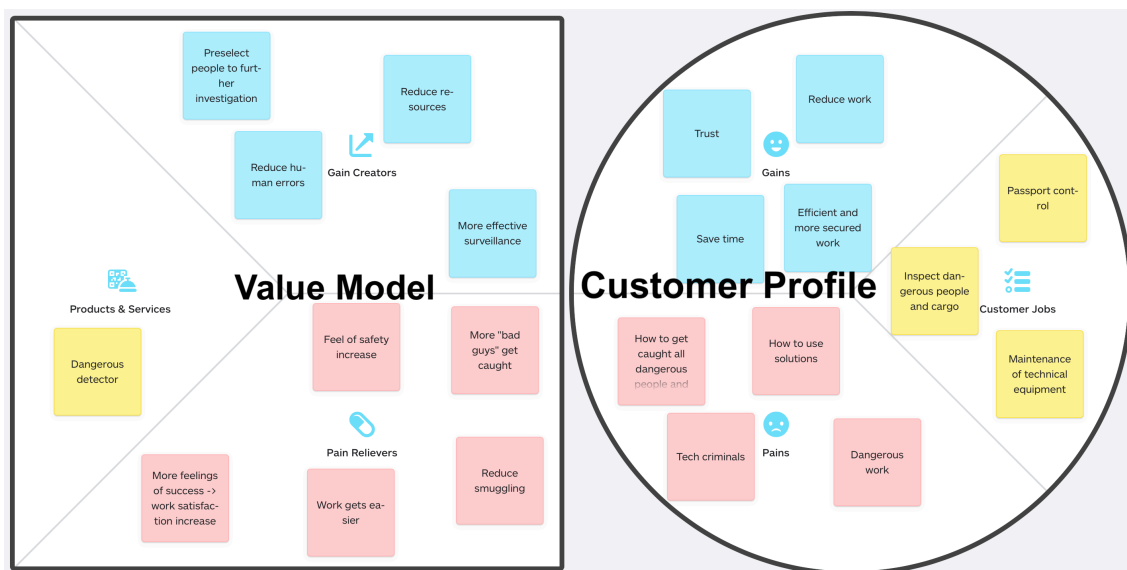


FIGURE 14. Created Customs Value Proposition Canvas

We started to fill the model from the Value Model part. The first thing was to supply our products, at this moment when we were doing the workshop, the company only had one product which is under the development. This product is called dangerous detector, which is a camera with artificial intelligence features. Gain creators which our product will give are following:

- It preselects people to further investigation
- It reduces human errors
- It will reduce human resources needed for inspection work
- It will make surveillance more effective

When we look what pain relievers it offers to customs we came up with these features:

- Feel of safety increases among the officers
- Customs can catch more “bad guys” in the border
- It will reduce smuggling because nervous people will go to further investigation
- Officers work gets easier
- Officers gain more success feelings and because of that their work satisfaction increases

Customer profile part was filled after the Value Model. We went thru all of this section and talked about each area. Also, in this part, we searched thru the internet which kind of jobs customs have

and what are there some news about the current situation. Company's ready customer profile of customs customers look like this.

Customers main jobs are passport control, Inspect dangerous people and cargo and maintenance of technical equipment. This specialized equipment part was coming from the interview of the border officer. (Alenius, Search date 22.7.2018).

Gains on what customs customers are willing to get from the product are that it could reduce their work, their working became more efficient, and they can get more things done. Pains what we expect they have, are that their work is dangerous, and how do they can catch all the dangerous people and cargo at the border. How they handle tech criminals and how they can use the solutions.

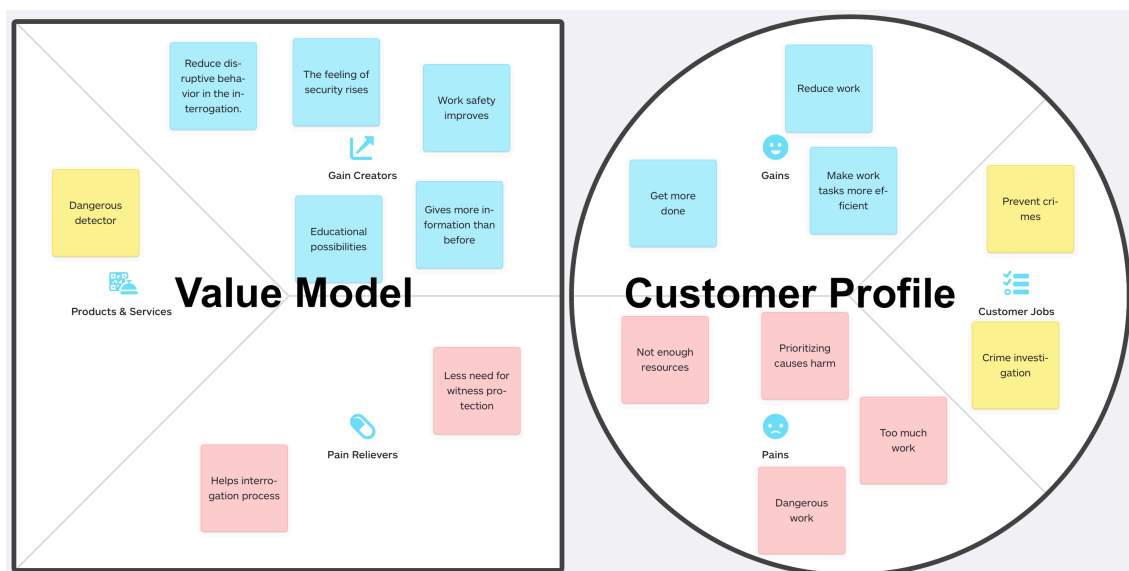


FIGURE 15. Created Police Value Proposition Canvas

Another customer segment what the company has is the police. Because police forces are quite a broad concept, the company's segment is only focusing to especially police's inter-rogation services. Here the company sees much more use for the product and thinks that it will bring more value for customers. In this canvas company's value model contains these aspects. The product is the same then what is offered to customs because at this moment the company doesn't have another product in the pipeline. Gain creators what we think the out-come will provide to police forces are:

- It will reduce disruptive behavior in the interrogation
- Therefore, the feeling of security rises
- Moreover, work safety improves

- The product gives more information than earlier products
- The product has educational possibilities. This educational aspect came up in the interview what I held with one police officer.

Pain relievers what product will handle are that it will reduce the need for witness protection and it will help the interrogation process. Need for less witness protection is not self-explanatory at all but this was one of the things what came up in the workshop.

Police forces customer segment was also created same way than with customs. In this customer profile, we know that police's primary jobs are preventing crimes and investigate crimes when they happen. Pains what police forces are having at the moment are that they don't have enough resources and therefore they need to prioritize jobs, and it causes harm. Moreover, finally, they have too much work. These pains mainly come up in the article at Kaleva newspaper. (Hahto 2016, Search date 22.7.2018.) So, based on these pains, the gains in our opinion are that product should reduce work, it should enable police officers get more done in same time and make the job more efficient.

### **Testing phase**

I had the opportunity to test new value model in an exhibition in London. I held multiple interviews in the exhibition with different people. Meetings were conducted mainly in the coffee breaks and exhibitor's booth, but these interviews weren't scheduled in advance. I primarily searched people who have different views on the security markets all around Europe. Before I asked questions about our product, I explained what our product does. Questions which I asked were the following:

Our product will give you persons heart rate from the video in real time. How do you think our product will help customers?

What gains are customers aiming to get?

Which kind of customers would love to use our product?

Here are few highlight answers:

"Nice feature. There are lots of different applications from baby watching to border control because you can't inspect everyone. Hospitals and social departments could also benefit from this companies. English supply chain company."

“English security provider company was impressed about our idea and thought that its key benefit is to reduce work and make it more efficient. Wanted to know more when its ready. Every company can benefit from this but mainly most value your product could deliver to border control or places where you need to get more information about visitors.”

“Italian alarm system seller thought that camera which can prevent dangerous situations and ease work of employers would be successful. Border control can be a good place to sell these.”

With all the rest observations and talks with people in the exhibitions is that our primary product value has to be that it will save time, reduce the work, and causes one to be secure and more efficient. Additional secondary benefit can be cost savings through reduced personnel at the inspection sites.

With this small experiment company's value model was quite right. Best feedback was that the company is on the right track with the product because the main aim is to reduce work and make it more efficient. It was the main feature in the workshop and also in the exhibition. Now it is essential to focus on this and make sure that the ready product will deliver this value proposition to the customers

What comes up from the discussions was that the company should expand customer segments even broader. However, in the end, it is an excellent way to start with niche markets first where you can aim for excellence, and after you have proofs that concept works and customers like it, the company can aim for other customer segments. If I could upgrade something in this testing phase, I should next time plan more private meetings with different companies and record all the interviews. This time I didn't have the opportunity to record conversations because we were in the crowded place that you wouldn't hear anything. So, what I learned from this that in the exhibitions you should always arrange private meetings with your customers and do them in the quiet place which can dedicate to having meetings. You can book this meeting rooms in the exhibitions, but you have to be a presenter to do so. This time I was the only visitor.

## **Development ideas**

For the future research purposes, I suggest that company should now have a private meeting with these two customer segments what we created in the workshop and test value model and customer

profile with them. Moreover, after this first version, the company should update their value proposition canvas to match new requirements. I suggest that company build up the ideal customer profile because it is an essential tool to research customers.

Also, it could be beneficial to take a closer look at these two customer segments that are they right for the company. There could be multiple other segments where the company's product would bring value. These kinds of customers can be border control, airport authorities, hospitals or other organizations who interact face to face with potentially dangerous people. In this case, proper market research is valuable.

Now we can see that there is a quite good fit between value model and customer profile. The values what the product promise to offer matches nicely with the customer's needs. Still case company should check again product offerings and features to match better to customer profiles. Maybe more features for the product will be good thing think and these features ideas should come from the customers. Besides pricing, the product is an important part of the future. It will be hard because at the moment there is no similar product on the market. Therefore, there is no pricing information available, but that information can be acquired from the potential customers. However, for the future, I believe that this dangerous detection camera should be a scalable, upgradeable and future-proof solution and these are good cornerstones to build.

Maintenance of Value Proposition canvas is endless work and company should monitor and measure it all the time to improve it relentlessly and improve company continually. It is the reason why I don't focus on this final evolve part of my thesis and leave it to the hands of the company.

In summary, the company have a fantastic product under development, and it can be a massive success in the world. Many organizations would benefit from using it, and it will bring value to them. Now there are still many details to work with, like product specifications to match customer needs, pricing to able selling and marketing actions to generate interest among the customer segments. But the company is on the right track. I hope that the company will take a closer look at the Value Proposition theory when they develop their value propositions. This canvas what has been created for the company was only the first step in this path, and it will give a platform to the company to develop it more.

## 7 CONCLUSIONS

The purpose of the work was to create a business model for the company. Case company is currently quite young, and such an easy-to-read business model was not yet available. This model is of great benefit to the company as it can be used to support product development and therefore the value proposition Canvas was also discussed to find out what kind of target customers are and what they want. This model can also be used to familiarize new employees, as it can show new people how the company works and where it is going. Particularly during the working phase, the importance of this aspect grew. Reason for this was that the new general manager was introduced to the case company 1.8.2018 and the purpose of this thesis was to give him an idea how the company works and help him forward.

The main research questions of this study were accomplished admirably. Research questions were, how to create business model for the company and how to create value proposition for the company. In my opinion this study answered to these questions well and the study will be used in the case company in the future. The sub-questions helped me to reach the goals. The concrete outcome of this thesis is that now the case company have an established practice of how to analyze new potential market segments and applications and update critical documents like business model canvas, value proposition canvas and customer profile. With the first map versions, this would be a valuable future asset for the case company.

Case study approach was the right choice for this research. This method of study is especially useful for trying to test theoretical models by using them in real world situations. It also gives you possibility to gain information from essential elements, processes, or interaction. The features of a case study include examining an individual case or situation. Research is often the subject of an individual, and often the processes are of interest. A single case is being studied in a natural environment where an individual case is part of a larger entity. The material is collected through a variety of methods such as observations, interviews, and document analysis. The goal is to describe the phenomenon or the case. (Hirsjärvi et al. 2007, 131.)

Information on development tasks was collected through workshops, and this way proved to be particularly useful. Organized workshops provided a lot of different information on the models and also the so-called silent details that everyone knows but has not been documented. The interviews



were also one way of collecting data because during the work I visited London at the trade fair, and I was able to interview people and tell the company's product idea and received feedback from it. The interviews were not organized and did not use a structured form but were based on natural discussions of events. Often the respondents were more than one person instead of one. For this reason, an open discussion during the interview was abundant. Customers were happy to share their experience and gave plenty of development ideas. It would have to have agreed with the people for twelve meetings, but they were not possible for me because I was just a visitor at the fair.

To ensure the chosen customer intimacy strategy, the case company should continue to use the tools and measurement methods of this thesis to provide that the company is moving forward. Customer intimacy also pushes employees to do almost anything for the customer to make sure that each customer gets what they want (Treacy & Wiersema 1993, Search date 25.7.2018). Because of this I suggest that now first concrete task is to schedule meetings with their potential customers and thru that upgrade their value proposition canvas with the new information. By that the product development will be more customer orientated and it will fit better with the customer's needs. All staff should be committed to implementing ideas. By involving them in the change, they will be the first to try to make a difference and to bring that information forward to customers. Development mirrors may change when machining. It belongs to the development process. An issue that needs constant work all the time and the whole company.

Of the results of the development task, it was worth noting that, especially as regards the product characteristics, they crystallize in one sentence. *Our primary product values should be based on the promise that the product will save time by reducing the customer's work tasks, will make customers surveillance more efficient and will give customers more secure feeling in their work.*

However, this alone is not enough to reach the market entry of the product. One reason for fails is that most executives rely only on inside view and this habit prevents to look outside and evaluate opportunities in the light of common predictors of success (Horn, et al 2005, Search date 24.5.2018). For this reason, company must, in addition to the above, develop the company's external communications, conduct market research to determine the size of the target market, more in-depth knowledge of customers' needs and what kind of competitors it is facing. Also, it would be good to have good contacts with the customer groups in Finland to get the product to run with them.

Implementation of development ideas are not in this development task, and it remains the task of the company.

The main results of this study were the completed canvases for the case company. Designed business model canvas for the case company helps them realize the current situation and where they can improve their business. Before this thesis case company didn't have this kind of model in use and it was beneficial for them. I suggest that they need to keep updating the model in the future when the business gets bigger and more complicated. The business model crystallizes the collected information and the chosen strategy into a tight package (Kauppinen & Piispanen 2013, 33). Designed Value Proposition canvas offered also more development ideas for the case company. The crucial next step for the case company is to have a private meeting with two customer segments what we created in the workshop and test value model and customer profile with them. Other development ideas are presented in the end of the chapter 6.

The results were presented to the company's employees at a meeting. The results were presented in PowerPoint format, with an oral presentation. Also, the research results have been published in the company's cloud computing service.

The author of the thesis realized that the work required a deep understanding of the company and its habits. It was, however, facilitated by the fact that the author was in the case in the company at work, and the work went smoothly with the actual jobs. For completing this study, it was critical that the author was able to use also working time for research purposes. Without this aspect, it would have been much harder to succeed. Case company committed itself to this process and was well involved in the workshops. With the development task, the learner learns to use these tools to analyze and then use them in the future. This thesis also allows other companies to examine their business using the tools they use at work.

The researcher must be committed, honest and open with the research material and the produced text. The actors involved in the development must also be committed to the task. Active development increases reliability (Toikko & Rantanen 2009, 121, 124-125). The reliability of the research is based on its intuitive applicability to the case company. The researcher has treated the research data fairly and transparently. Reliability is increased by the fact that the process is openly presented, and the timetables are on display at work.

A critical aspect of the research has been highlighted in the context of interviews and workshops related to the acquisition of information. The research method used an open interview and a workshop, which were guided by example questions. The examples used in the workshops have been developed through research problems and have been accepted as an object in the company before the implementation of the workshops. It made sure that the researcher got all the information he wanted from the research.

During the interviews in the fair, customers were not informed in advance of the study and these interviews were not arranged in advance. In these interviews, the researcher took advantage of pre-made questions that guided the debate a bit. Thus, the answers were genuine, and no one could influence their opinions. Answering the research was voluntary.

In the research development task, reliability is also examined during the research process and in the research results. Our development task process has progressed according to the course contents of the Polytechnic but constantly considering the situation of the company. The research process has been transparent, and the research data is truthful. The whole thesis working timeline is presented in the appendix 8. The customer's experiences and answers have been raised as they are, as the customers have submitted to us. The information generated in the research is useful to the company as it can improve the company's consistency and thus the competitive advantage of its competitors through research results (Toikko & Rantanen 2009, 121-125).

In my view, the research achieved its goals admirably. The theoretical framework and the actual development work fitted nicely together. Theory helped a lot the development work, especially in the workshops. Without the academic theory in the background, it would have been a lot more complicated to succeed in the workshops. In the future, it should be considered in more detail how the business models have contributed to the company's operations and product development. It would also be interesting to focus more closely on the company's target customers and to do a joint product development project with them. This kind of further study would be beneficial for the case company.

I believe that this thesis will be highly useful in the case company and appreciated by the new general manager. This work has been extremely useful for me to gain more professionalism at the business industry. In this thesis process I had to use the new skills which I acquired from the master's education to complete the work.

After all, I am delighted with this thesis. First of all, I want to thank everyone who participated in this study, all the people from the case company, staff from the school and my family, without your guidance and help I wouldn't have succeeded. I learned a lot during this process, and I enjoyed working with this subject and with the people from the case company. In particular, I am satisfied with the functionality of this thesis and how well the case company received the results of the work. I think it's great that the tools that I've been working on will come into use in the company and my work has been useful to them. I want to end this thesis with the words of William Drayton, "Change starts when someone sees the next step".

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## APPENDICES

## The Business Model Canvas Example

## Appendix 1

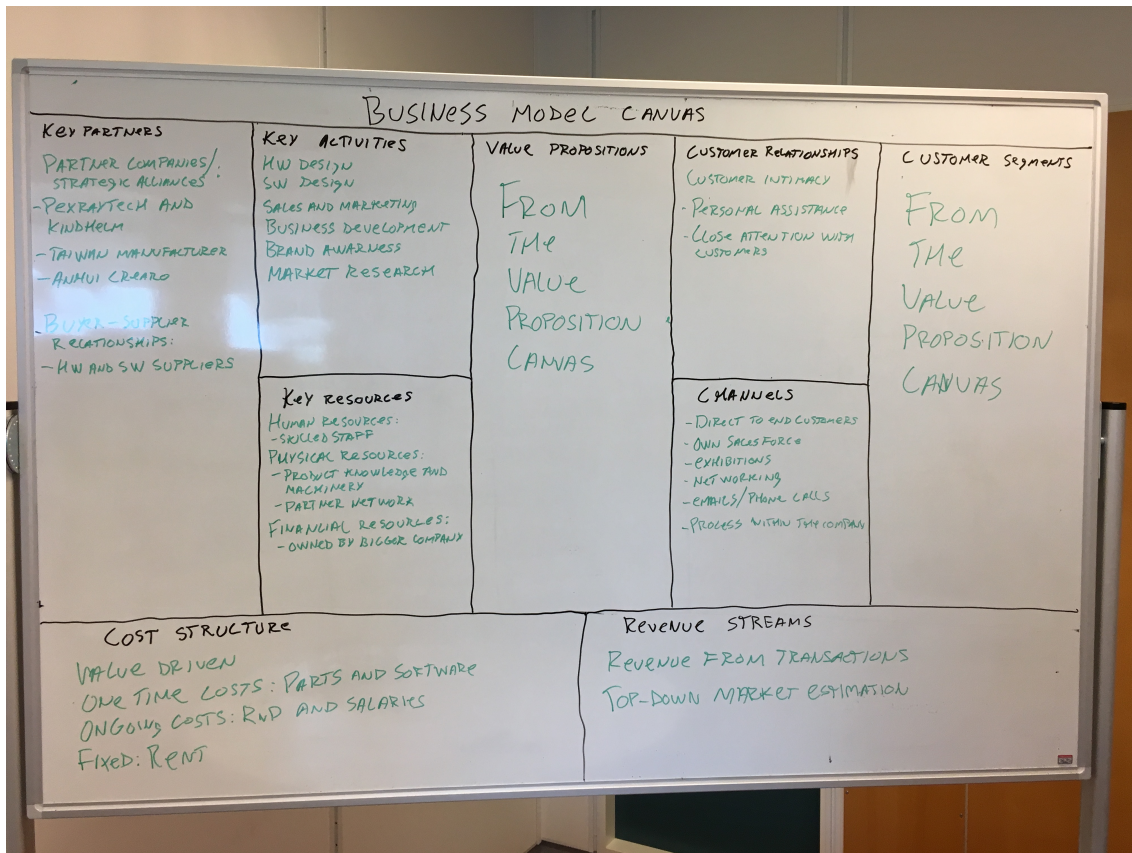
<p><b>KEY PARTNERS</b></p> <p>Who are our key partners?</p> 	<p><b>KEY ACTIVITIES</b></p> <p>What key activities do our Value Propositions require?</p> 	<p><b>VALUE PROPOSITION</b></p> <p>Which customer problems are we helping to solve? Which customer needs are we satisfying? What is the specific offering — and any secondary offerings? What features/benefits match customer needs?</p> 	<p><b>CUSTOMER* RELATIONSHIPS</b></p> <p>How will we get, keep and grow customers? OR How will we meet the current and emerging needs of customers?</p> 	<p><b>CUSTOMER SEGMENTS</b></p> <p>Who are we solving a problem for, or fulfilling a need? Who are our customers? Does the Value Proposition match their needs and interests?</p> 
<p><b>COST STRUCTURE</b></p> <p>What are the most important costs in our business model?</p> 		<p><b>REVENUE STREAMS</b></p> <p>What is the revenue model — grants, gifts, earned income? What are the price-point/gift level tactics? What impact/value are our customers willing to pay for?</p> 		

\*Customers include: supporters, donors, funders and users

## APPENDICES

### The Business Model Canvas first draft

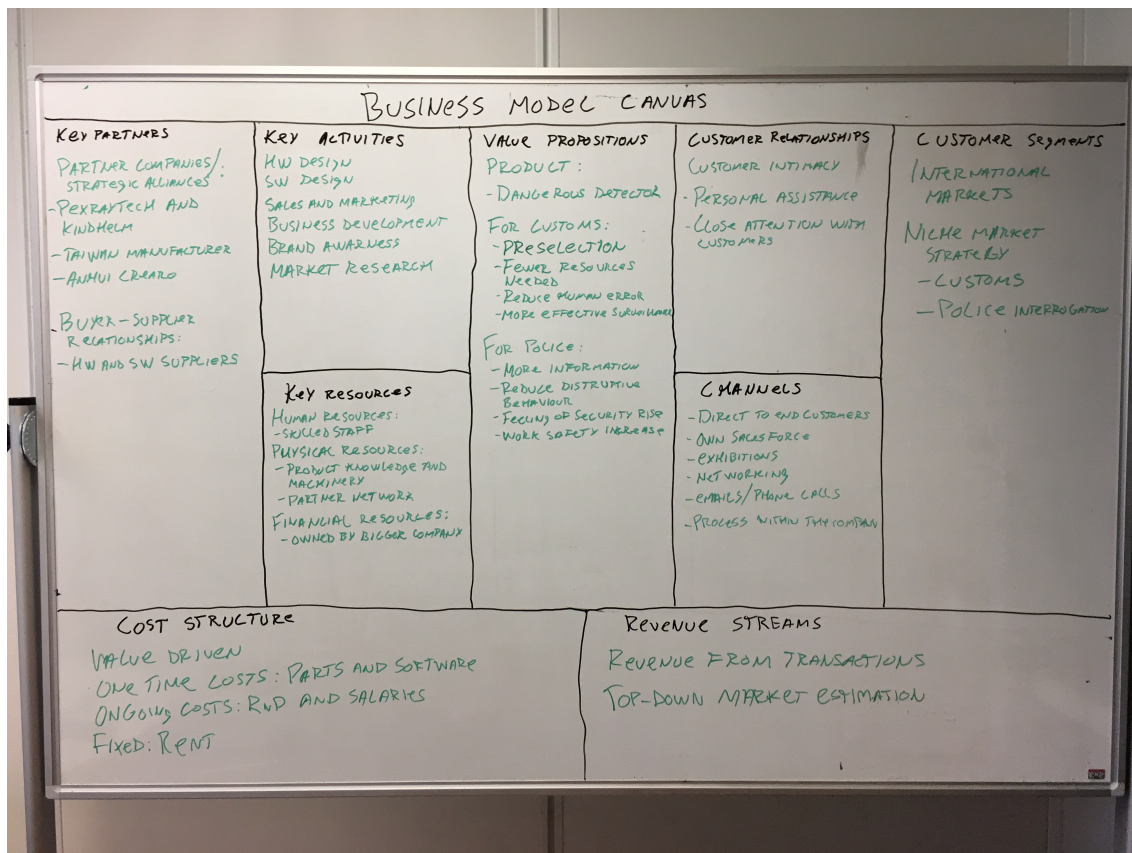
### Appendix 2



## APPENDICES

### Fully designed The Business Model Canvas

### Appendix 3

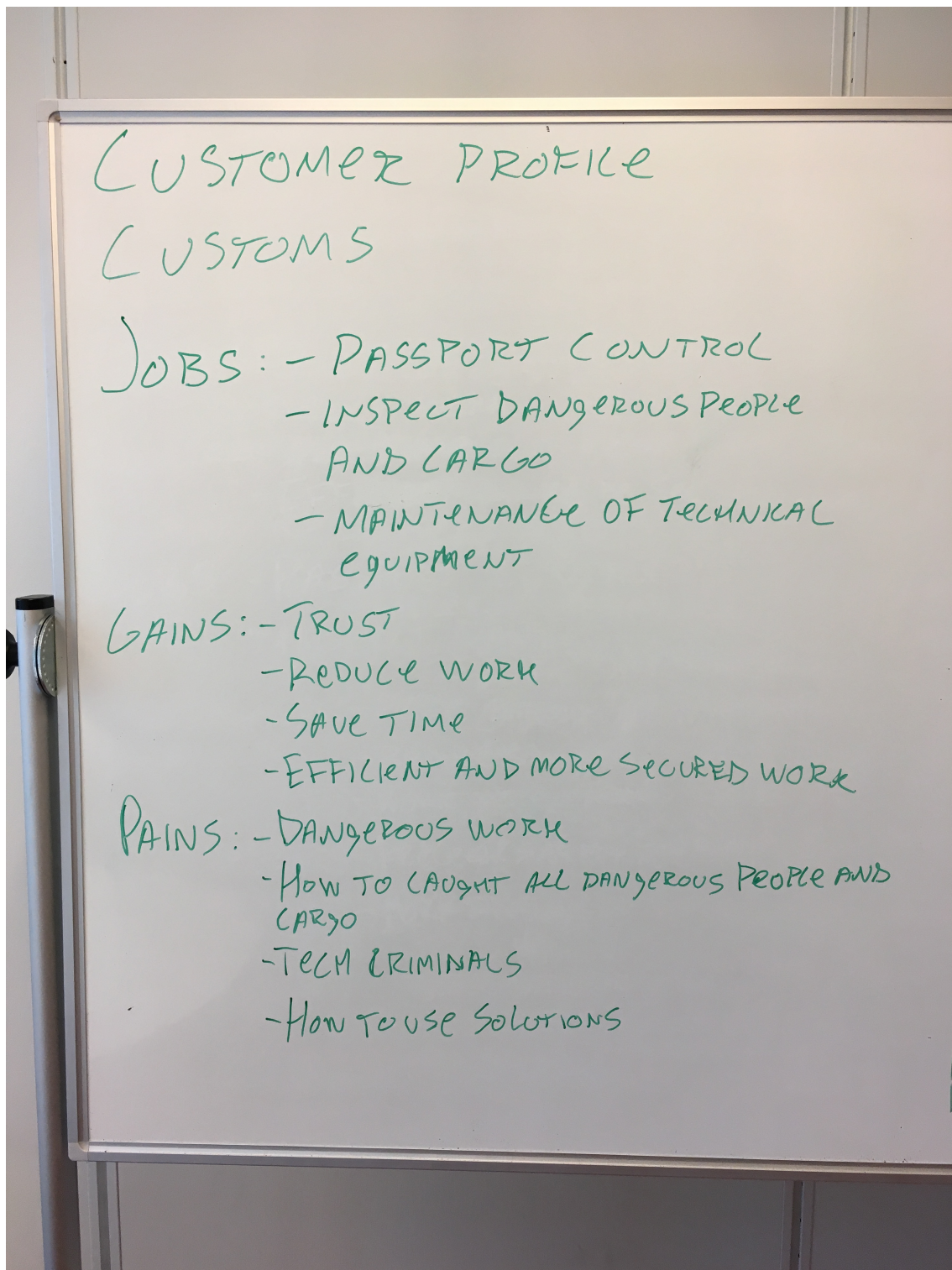




## APPENDICES

Customer profile for customs

Appendix 4



## APPENDICES

Value model for customs

Appendix 5

### VALUE MODEL CUSTOMS

PRODUCT: DANGEROUS DETECTOR

GAIN CREATORS: - PRESELECT PEOPLE FOR FURTHER  
INVESTIGATION

- REDUCE RESOURCES
- REDUCE HUMAN ERRORS
- MORE EFFECTIVE SURVEILLANCE

PAIN RELIEVERS: - MORE "BADGUYS" GET CAUGHT

- REDUCE SMUGGLING
- WORK GET EASIER
- FEEL OF SAFETY INCREASE
- MORE FEELINGS OF SUCCESS



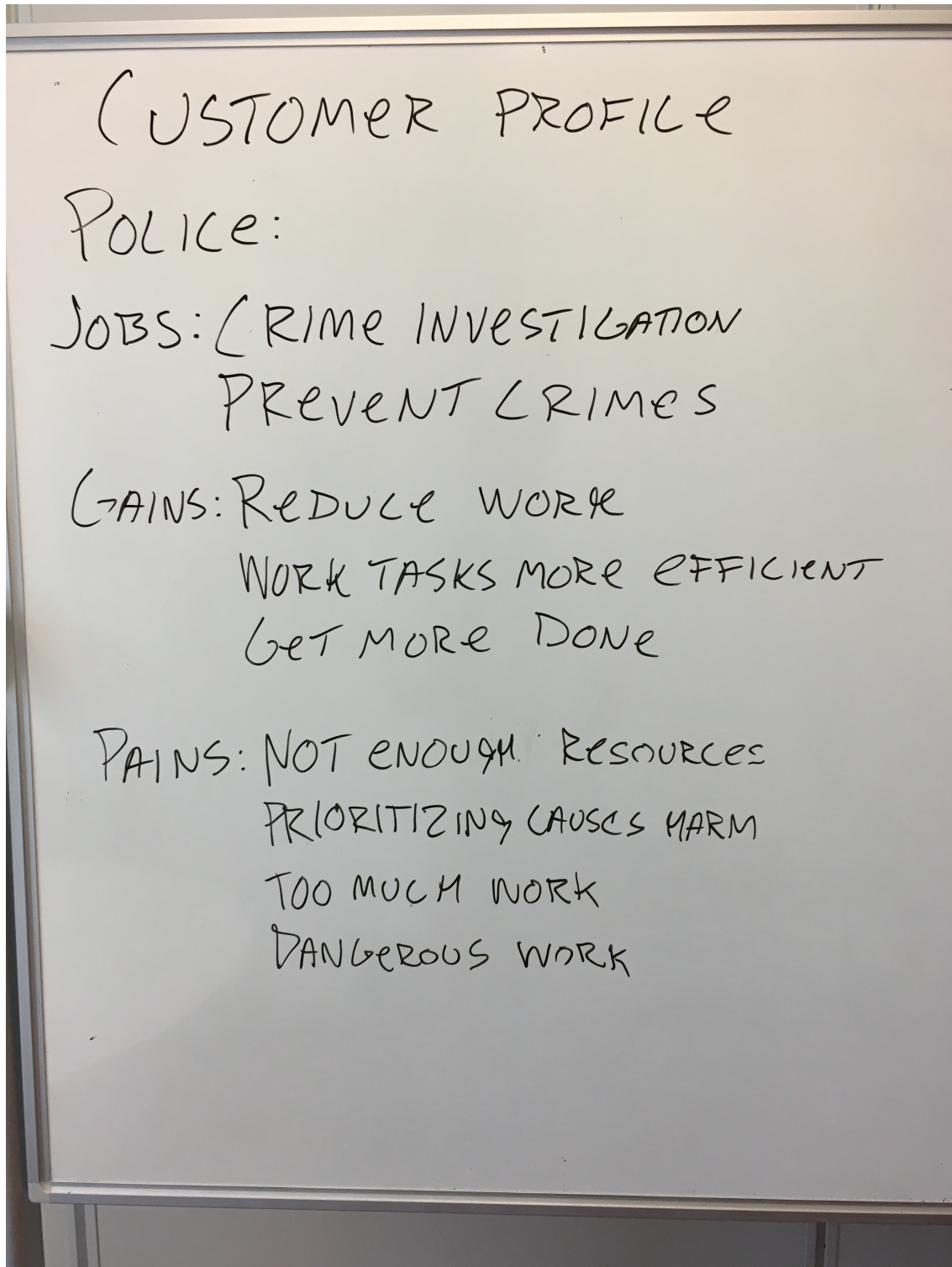
WORK SATISFACTION  
INCREASE



## APPENDICES

Customer profile for police

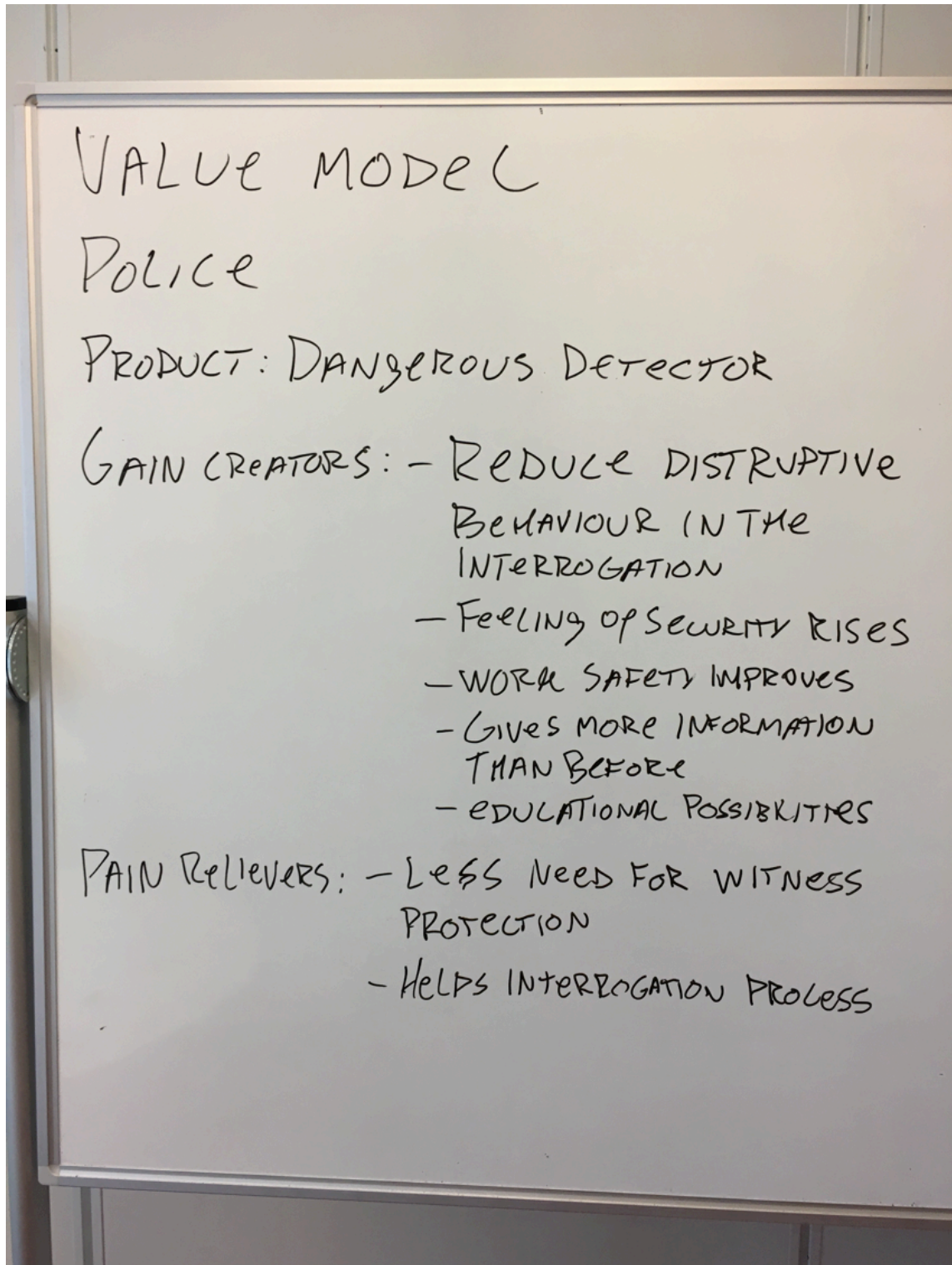
Appendix 6



## APPENDICES

Value model for police

Appendix 7





## APPENDICES

### Thesis project timeline

### Appendix 8

Place	Time	Method	Participants	Meaning	Results
Case company	10.4.2018	Meeting	Roope, Case company's Research Manager	Thesis agreement	Idea for the thesis
OAMK	11.4.2018	Meeting	Roope, Outi	Thesis information from school	Test feasibility of the first thesis idea
Case Company	15.4.2018	Meeting	Roope, Tommi	Presenting new idea	Approval of the new idea (BMC/VPC)
Home	16.4-30.4.2018	-	Roope	Information gathering	Preliminary plan vol. 1
Home	16.5-12.6.2018	-	Roope	Final thesis plan	Preliminary plan vol. 2
Home	1.6.2018	Written material analysis	Roope	Theory plan ready	Start of writing the BMC theory
Home	12.6.2018	-	Roope	Planning	Timetable and target ready
Home	13.6-19.6.2018	Written material analysis	Roope	Theory writing process	BMC theory ready
Case company	15.6.2018	Workshop	Roope, Research Manager, Chief Mechanical Engineer	Creating the BMC model	BMC model ready
London exhibition	18.6-21.6.2018	Interviews	Roope	Interview people at the exhibition	New insights from the people to VPC
Home	21.6-1.7.2018	Written material analysis	Roope	Case study writing	BMC analyse ready
Home	2.7-15.7.2018	Written material analysis	Roope	Theory writing process	VPC theory ready